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How Do the Chinese and Japanese Manage Their Joint Ventures?

- A Comparative Perspective

Zaixin Ma

Doctor of Philosophy

2001

How Do the Chinese and Japanese Manage Their Joint Ventures?

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By

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ABSTRACT

Studies of international joint ventures (IJVs) in China continue to accumulate. Many were originally informed from various historical, economic, political, sociological, and geographical perspectives. More recently, international management theory and research has made some progress. Attention may likewise switch from the initial founding of IJVs towards their subsequent operation and management and eventual maturation. In addition, it will become more possible to compare different international approaches and perspectives upon such. For that reason, this study seeks to explore and explain why conflicting interests arise in Japanese Affiliated Enterprises (JAEs) in China and how Chinese and Japanese perspectives differ.

It therefore applies a theoretical model of IJV founding and development derived from the works of Harrigan, Parkhe and others to a sample of eighty-one JAEs and four short case studies. It concentrates upon the variables of founding motives, partner selection, control and conflict, performance, and investment environment and places their development into an overall context. A range of historical, economic, political, cultural, and personality factors are identified in the process and future developmental/research possibilities specified.

ACKNOWLEDGEMENTS

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Chapter One

Introduction

1. Background

The complex relationship between China and Japan goes well beyond their original common cultural heritage. Amid continuing mutual differences, and some suspicion and mistrust, their relationship has passed through different stages, each with its own emphasis. More recently that emphasis has turned towards growing economic engagement and complementarity in general. Not only is this based upon greater trade, which already has a long history, it also seeks greater direct investment from Japan, albeit with supporting aid and assistance. In the short period since China officially "opened up", Japanese direct investment has gone through a number of different cycles. Despite that, Sino-Japanese joint ventures in particular have together raised expectations about greater mutual collaboration, learning, and material benefit than either could realise alone, always assuming such ventures are suitably managed towards that end. As events unfold, the management of all Japanese Affiliated Enterprises in China (JAEs) therefore assumes more significance, not just for these enterprises themselves, but also for the complex expectations and relationships surrounding them.

This presents some difficult challenges for International Management Theory and Research. With its "Western" roots, this has not usually dealt with such "Eastern" problems before, despite dealing with transactions between the West and East, and vice versa, as in the case of debating "Japanisation" for example. Its application to the study of JAEs in China may therefore produce fresh insights into both these ventures and International Management Theory and Research itself. The scale of this problem has increased during the time of this research. JDI to China had a utilized value of US $1.07 billion in 1992; it then rose to US $2.57 billion in 1994, and US $4.15 billion in 1995[1]. By the end of August 2000, it had a total contracted value of US $37.27 billion, with an effective utilization value of $26.77 billion [2]. There were then a recorded 19,716 JAEs, including equity joint ventures, co-operative joint ventures, and Japanese wholly owned

ventures, which together accounted for 5.5 % of all Foreign-Affiliated Enterprises (FAEs) in China[3]. A closer examination of this and associated trends follows in Chapter Two. Firstly, it is necessary to define certain basic terms.

2. Definition of Key Words

As the title indicates this study focuses upon how the Japanese and Chinese manage joint ventures. The phrase joint venture has been defined by many scholars as an independent economic organisational entity formed by more than one parent organisation to create new competitive advantages (Beamish and Banks 1986; Contractor 1985; Dunning 1988; Harrigan 1985; Lynch 1989, Wille 1988). Normally, such joint ventures include equity and contractual joint ventures. However, in this study wholly foreign-owned operations are also included in the category of joint venture. This follows other studies of JVs such as Fan (1996), Kaiser (1997), and Zhu (1998). Secondly, the Chinese government normally categorises equity JVs, contractual JVs and wholly owned operations together as "San Zi Qi Ye" (meaning three types of capital enterprise). Thirdly, when China began importing FDI, wholly foreign-owned operations were negligible in number, and even now with recent rapid increases, they still represent a minority. Hence, according to Chinese government statistics for 1979 to 1996, equity JVs account for 61 % of the total, contractual JVs 15 % and wholly owned 24%. Equity and contractual JVs still constitute a majority of all JVs. A further term, JAE (Japanese Affiliated Enterprise), is used to denote Sino-Japanese JV enterprises. JAE denotes any of the three types of capital enterprises involving Japanese investment.

3. The Research Problem

Until recently, there was a wave of international interest in, and even enthusiasm for, the idea of Japanese economic success in general, and management capability in particular. Some attributed this to economic and political factors first, while others considered Japanese organisational and managerial distinctiveness more important. This trend even occurred within China, which did not officially follow the "open door to the outside world" policy until 1978, and then asked why neighbouring Japan, with its common Confucian and linguistic heritage, had pursued economic

development so quickly and successfully by comparison. In some respects, then, mutual joint ventures were one possible vehicle for both China and Japan to learn more about each other, and complement each other's economic development. However, during the process of operating joint ventures, in order to share knowledge, there have arisen certain conflicting interests between the two countries. It is the focus of this research thesis to study these conflicting interests and to determine the reasons behind them. Important questions, and also reservations, about how the Chinese and the Japanese would approach these ventures, and then jointly manage them, will surface. For that reason this research will subsequently focus upon the differentiation of rationale behind:

Why Japanese and Chinese sought to venture together, and how partners chose each other.
How respective managers then controlled the resulting JAEs.
How managers judged JAEs' performance along a number of different dimensions.
How the surrounding investment environment impacted upon such JAEs' progress.

In addition, the study will put such ventures into an overall context, and explain the findings from both Japanese and Chinese perspectives to emphasise their contrast.

4. The study outline

This is a study of the characteristics of JAEs management, and the overall pattern of development thus far, conducted in, and with particular reference to, China. The study will seek to increase understanding of their present position and development from a managerial viewpoint while also indicating how, if at all, this may develop in future. At present some outside viewpoints assume China and Japan to be similar, especially because they both stem from the same cultural beliefs and are both Asian countries. However, it is the aim of this study to show that contrasts between these two countries are startling. Other viewpoints simply accept that China and Japan are different. It is the aim of this study to show how these issues arise. It is theoretically based upon a model derived from the works of Harrigan and Parkhe, to be reviewed in Chapter Three later. As well as helping Western observers, this should interest other Asians too, not least because China might increasingly compete with them for foreign direct investment

(FDI) generally, knowing that Japan has a particular relationship with China which could well affect them all.

5. Research Methodology

As will be described in Chapter Four, having first put JDI into an overall Chinese context, questionnaire data was then gathered from the sample of eighty-one JAEs which responded, along with a series of short case studies, based upon both personal interviews and other documentary evidence. However, even with the researcher's unusual personal background, being a Chinese who has studied in Japan, as well as the United Kingdom, special consideration was given to the research process itself. Not only did this entail identifying an appropriate population sample, both the questionnaire and interview process also needed customising to a Chinese field situation. This process nevertheless produced some valuable senior Chinese and, to a lesser extent, Japanese management responses to the questions posed, enabling further questions to be tested.

6. Thesis Structure

The rest of the thesis consists of the following chapters:

Chapter Two reviews the history, evolution, and current situation and development of JDI in China as the overall context for this research, and outlines particular cultural differences, historical antagonism and economic interdependence issues.

Chapter Three reviews the literature devoted to IJVs in China, especially Japanese ventures in China, relevant to the five issues: founding motives, partner selection, control and conflict, assessment of performance and investment environment. A framework applied in this research and thirteen questions are produced for further testing.

Chapter Four considers the most appropriate research methods for their further investigation, and argues that a combination of mailed questionnaire survey, and individual case studies fits the purposes of this study, given the further considerations then outlined.

Chapter Five gives a general description of the overall sample characteristics and research results.

Chapter Six then analyses the questionnaire data further against the framework and questions described before, from a Chinese perspective.

Chapter Seven applies the same scheme of analysis from a Japanese perspective.

Chapter Eight discusses the questionnaire findings with respect to how the Japanese and Chinese compare.

Chapter Nine analyses the case studies data to illuminate the issues identified in the literature review and the questionnaire survey.

Chapter Ten offers overall conclusions, which indicate the implications for the conflict management of JAEs in China, and also suggest further lines of development for both JAEs themselves and future research.

Notes

1. Resource: the Statistics of Ministry of Finance, Japan, 1998, Home page: http://www.mof.go.jp
2. Resource: The Statistics of Japanese Direct Investment in China, The Economic & Commercial Counsellor's Office of the Embassy of PRC in Japan, Home page: http://www.moftec.or.jp.
3. *Ibid.*

Chapter Two

History, Culture and Economics between China and Japan

1. Introduction

The objective of this chapter is to put this study into a broad historical context in order to determine the long-term developmental trends between China and Japan. The relationship of the two countries extend to over 2000 years, but official Sino-Japanese contacts developed following the resumption of diplomatic relationships in September 1972. This chapter will draw out the historical antagonism, cultural differences and economic interdependence between China and Japan, and it particularly reviews literature on the past and present situation of Japanese direct investment (JDI) as the context for the present study.

2. Historical Antagonism

Chinese culture and production technology began to be transferred to Japan around 2000 years ago. Cultural communication developed between China and Japan gradually from 200 BC to AD 600. From 600 to 1000 AD was a golden age of ancient Sino-Japanese cultural communication. During these centuries the Japanese government sent delegations and students to China on twenty-three occasions[1]. They learned about Chinese politics, law, arts, Confucian studies, building technology and traditional social customs. From the 10th century to the 19th century, Sino-Japanese cultural communication continued uninterrupted, including not only culture, arts and Confucian thought, but also Chinese-style management ideology. For example, a Chinese military strategist Sun Tzu (spelled Sun Zi under the *pinyin* version currently used in China) who lived about 2,500 years ago, wrote his book *The Art of War*. In 734 AD, a Japanese student took it back to Japan, and since, then over 170 pieces of research concerning *The Art of War* have been published in Japan[2]. Much of Sun Tzu's strategic management thought has been used in

modern Japanese-style management practice. Even the word "management", in Chinese is "*guanli*"; "*guan*", to manage and control, a meaning used by Chinese scholars in the Han Dynasty (206 BC - AD 220)[3]. In Japanese, "management" is termed "*kanri*"; the word's meaning, pronunciation and concept were all transferred from China to Japan over a thousand years ago.

China and Japan have had a long history of both cultural and economic exchange and military dispute and conflict lasting over 2000 years[4]. From a Chinese perspective, at the turn of the century their relationship was marked by Japanese aggression, before the Second World War marked the darkest point. Since the end of the 19th century, the Sino-Japanese War of 1894-1895 was fought over the control of Korea, nominally a tributary state of China at the time. China lost all battles on land and at sea. Major battles were the sea battle of the Yellow Sea, the siege of Pyongyang in Korea, and the siege of Weihaiwei. By the Treaty of Shimonoseki signed at Chun fan lou (Shunpanro in Japanese) in April 1895, China had to recognise the "independence" of Korea, cede Taiwan and neighbouring islands to Japan, and pay an indemnity of 0.23 billion taels of silver[5]. The war was the first stage of Japan's continental policy of expansion.

In 1931, the Japanese military forces first invaded North-eastern China, also known as the Manchuria Region, then escalated the aggression to other Asian nations. Fifteen years of violent Japanese rampage in China and elsewhere caused the loss of the lives of more than thirty million Chinese, the overwhelming majority of them civilians, and hundreds of billions of dollars of property. It should be noted that the damage to China and the rest of Asia continue to have ripple effects even today, including the deadly poison gas leaked from the chemical and biological weaponry labs buried in many parts of China by retreating Japanese soldiers and scientists[6]. The cold war allied China to the Soviet Union, and Japan to the United States. And whilst China entered the central-planning command economy, Japan operated a market economy, maintaining a strong link with the government. 1972 saw the restoration of diplomatic relations, officially ending relations with the Taiwan Nationalists. Sino-Japanese trading improved with this decision.

3. Cultural Differences

Although both Chinese and Japanese cultures originated from *Confucianism* and are essentially very similar, they still differ in some respects. So-called *Confucianism* is not so much a religion as it is an ethical code for social conduct. The basic tenets can be summarised as obedience to and respect for superiors and parents, duty to family, loyalty to friends, humility, sincerity, and courtesy[7].

Confucian thought, including the five basic human relationships presented above, has to different degrees influenced China, Japan and all Eastern Asia countries over two thousand years. However, since the event called the May 4th Movement in 1919, criticism and repudiation of Confucianism started in China. The reason behind it was a political protest over the awarding of the then German colony of Qingdao (in Shandong Province) to Japan, by the Versailles Peace Conference at the end of WW I[8]. There was national soul probing to discover why China had fallen so low and become so weak. Could it be Chinese culture was to blame? Some Chinese, understandably enough, wanted to reject *Confucianism*, and thought everything about Confucius was wrong and evil. Thus traditional Chinese culture was damaged and the Chinese started to adopt Western culture, including *Marxism*, through Russia.

After the CPC established the People's Republic of China in 1949 China started to form a new culture, which was anti-traditional -- tradition was equated with feudalism, and anti-western – the west belonged to capitalism. The new culture was a political culture. Chinese people were only allowed to obey the CPC[9]. Especially during the Great Culture Revolution from 1966-76, there was the character assassination of Confucius. "He" (Harmony) was a divorcee and a murderer! Confucius was ridiculed as never before in Chinese history[10]. Also Western culture, except for *Marxism*, was denigrated, as if rotten to the core and declining. As a result, some basic tenets of *Confucianism* such as respect for superiors and parents, loyalty to friends, humility, sincerity, and courtesy were all damaged. Chinese people lost a basic belief in each other, and relationships between them were limited to the "class struggle". Also, Chinese workers' motivation suffered, as reflected by poor attitudes, non-observance of rules and regulations, low productivity and failure to report problems and defects[11].

After the cultural revolution, when China started their Open Door policy in 1979, the Chinese had a chance to know gradually what happened outside. They realised that capitalism and Western culture is not decadent and declining as they had thought. This culture allows Western countries to achieve an advanced level. Also they found that Confucianism may not be simply taken as feudalism, but supported Japan and the "Four Tigers" -- South Korea, Taiwan, Hong Kong and Singapore - to progress their national development. The Chinese, however, started to review their traditional culture and began rethinking Western culture. Therefore, in recent years, political culture itself has greatly declined. Some traditional culture has returned. Similarly, some Western culture has been accepted into this reformed culture. However, in China there exists a transitional culture. Mainstream culture has not taken final shape[12].

Since 1868, following Meiji Restoration, Japan was the first Asian country to adopt Western cultures and technology from Holland, Britain, France, Germany and United States[13]. With nearly one and a half centuries of industrialisation, Japan used Western knowledge to overtake most of these countries, and is well ahead of its Asian neighbours in technology, capitalist business techniques and modern management know-how. During this Japan not only adopted technology from the West, but also adopted Western political, economic systems, culture, and even customs[14]. This caused Japanese culture to evolve around a westernised enterprise system. For example, in Meiji the Japanese State played a major role in enterprise, even though in later decades it sold off industrial concerns to private interests to support the development of a capitalist economy.

As mentioned earlier, Japanese culture has been, at different stages, influenced by several countries, and that has contributed to its unique characteristics. We can see from a saying that a Japanese may be given *Shinto* (a Japanese traditional religion) rites at birth, a *Christian* ceremony at his marriage, and a *Buddhist* funeral at his death[15]. However, it is also observed that even though the Japanese borrowed three ancient doctrines (*Confucianism*, *Taoism* and *Buddhism*) from China in the Sixth Century, it borrowed modern knowledge of democratic system, market mechanism, social customs and technology from Western countries since 1868.

4. Economic Interdependence

China's economic relationship with Japan is an important foreign policy consideration, since Japan has long been its biggest trade partner, accounting for about 20 % of all foreign trade[16]. At the same time, China has become more important to Japan, trade rising since 1993 to second place in the Japanese statistics[17]. With trade increasing, there has been some shift from a so-called "vertical relationship", in which China exports to Japan primary products and imports manufactured goods, to a more "horizontal relationship", in which China exports to Japan not only primary products but also manufactured goods. Another clear trend is the influx of Japanese direct investment into China. For some time Japan was officially criticised for its reluctance to invest in China. However, until the Asian crisis, Japanese Direct Investment (JDI) in China was increasing in both scope and size.

Nevertheless, after 1994 as all FDI (including JDI) in China has grown, it has attracted its critics, some of whom consider it an economic invasion, undermining China's national industry. Although opinion in China generally remains in favour there have been policy changes. In recent years, Chinese scholars such as Hu (1995), have criticised the state for attracting FDI by transferring some state enterprises and land to foreigners at unduly low prices, thereby prejudicing national interests. Li (1995) has canvassed selected economists and has noted three essential conditions for importing FDI:

i) It should pose no threat to the independence of the national industry.
ii) It should pose no threat to the leading role of the national economy.
iii) The development speed of FDI should be geared to national capacity.

Shi (1996) indicated that, in 1994, the proportion of actual FDI in China's GDP was 8.8%. In 1995 the rate of increase of FDI exceeded that of GDP, and both were over the international safety guideline of 4-6% suggested by the World Bank and the International Monetary Fund. News reports have asked Chinese people to pay more attention to the effects of FDI. For example "The crisis of China's national industry"[18] talked about the national drinks industry

losing its trademarks and domestic market. Another article under the headline "JV home appliance industry tidal wave in 1996"[19] reported that the markets of most of China's well-known home appliance manufacturers had been taken over by foreign rivals. However, amid this resurgent "economic nationalism" there are many unanswered questions about the reality of JDI.

4.1. The History of Japanese Direct Investment in China

It is possible to argue that JDI in China has a hundred years of history. The resulting traditions have greatly influenced JDI in recent years. As Ritchie (1997) indicated, historical changes in Japanese approaches to trade and business with China have carried major consequences, not just within China but also outside, and potentially they will do so again in the future. Therefore, understanding the history may propel us to a better understanding of the present and the future.

4.1.1. Pre-1949

Foreign capital entering China virtually started with the British East India Company establishing an agency in Guangzhou in 1715.[20] Since 1840 much foreign capital invested in China was mostly intended to facilitate trade. Even though over a hundred factories had been established in China before 1895, all were officially illegal, because no foreigner had the right to establish a factory[21]. After China and Japan signed the Shimonoseki Treaty in 1895, following China's defeat in the 1894-95 war, foreign capital, including Japanese capital, could legally be invested in China[22]. In the beginning Japanese investment developed slower than European investment, but by the end of the Japanese-Russian war (in 1905) it accelerated. Table 2-1 shows how China calculates the history of foreign capital investment over the 1902-1948 period.

Table 2 - 1 Foreign capital* investment in China 1902-48 (Unit : 1,000 US dollars)

Nation	1902	1914	1930	1936	1941	1948
Total	1,509,309	2,255,657	3,487,559	4,285,372	9,161,758	3,098,906
UK	344,058	664,589	1,047,004	1,045,921	1,095,337	1,033,674
USA	79,353	99,121	285,715	340,515	482,377	1,393,301

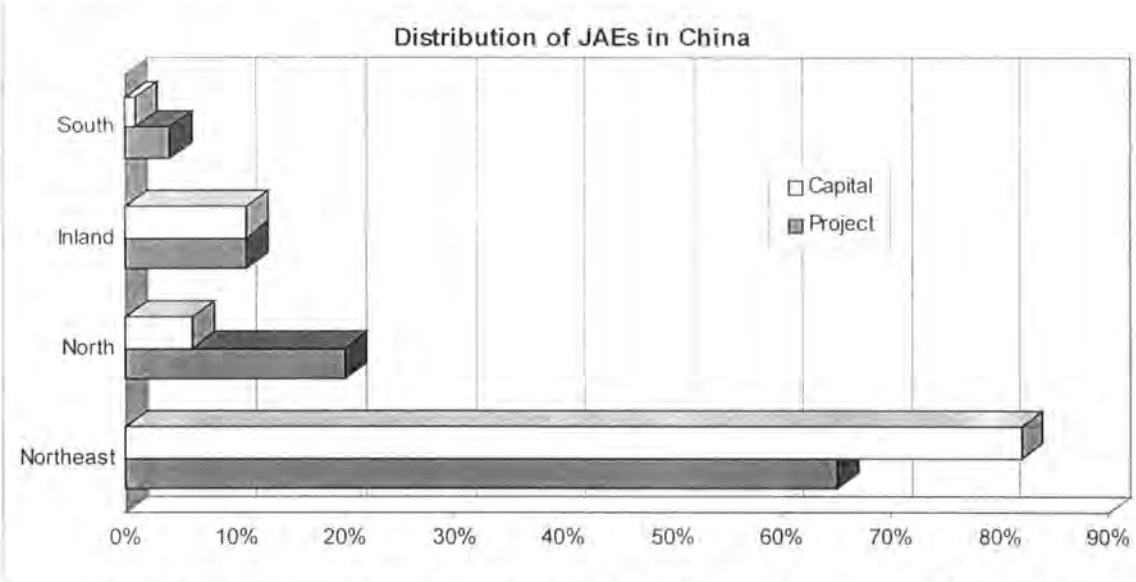
France	211,640	282,482	304,844	311,913	285,097	297,247
Germany	300,715	385,683	174,592	136,420	136,956	---
Japan	53,601	290,893	1,411,611	2,096,437	**6,828,067**	---
Italy	42,738	32,525	79,080	92,070	18,370	6,211
Russia	450,320	440,155	---	---	---	---
Belgium	18,003	28,491	89,381	77,165	126,834	139,948
Holland	1,203	915	29,569	49,570	28,135	25,757
Swaziland	---	---	---	9,256	7,997	14,537
Denmark	620	1,625	942	4,257	2,098	2,242
Others	7,058	29,178	64,821	121,848	149,090	185,989

Source: Made by the researcher and data from Wu, C., ***Imperialism's Investment in China before 1949***, Chapter One, Beijing: The People's Press, 1955

*: Including enterprise property, real estate, loans and reparations.

According to the Department of Trade at Japan's Foreign Affairs Ministry in 1928, there were 2,372 JAEs in China, with a total investment amounting to ¥710,119,000 (old Japanese Yen)[23]. Its geographical distribution in China can be seen in Figure 2-1. Most JAEs were concentrated in the Northeast of China because this area, also called Manchuria, was not only close to Japan and near to its colony Korea, but was also a traditional Japanese trading area. Manchuria in effect became a colony of Japan in 1931, and there was considerable penetration by Japanese business groups into the rest of China. More controversially, some have viewed Manchuria's development as a Sino-Japanese joint venture on a grand scale, in which Japan supplied capital and management, while China supplied labour and natural resources (Brown, 1986). JAEs were established in many important cities in China, such as Dalian, Shanghai, Tianjin, Qingdao and Beijing. Railway and other transport industries took up to 46 % of the total Japanese investment, trade companies about 30 %, while manufacturing, building, agriculture, forestry and small-scale industry made up the remainder[24].

Figure 2-1: Distribution of JAes in China (1928)



Source: Made by the researcher with data from ***The Politics and Economy of Modern China***, Tokyo: Diplomacy Times Press, 1931, pp 429-430

During the 1902-1914 period, foreign investment grew from a total of US $503 million to US $1.06 billion, and reached a peak of US $2.68 billion in 1936. Japan and Britain continued as the largest investors throughout, with an estimated 50 and 35 %[25] respectively. However, the Sino-Japanese War (1937-45) and the Civil War (1946-49) so demoralised both the domestic and Sino-Japanese sectors of the economy, that the latter encountered official hostility and lost its preferential status. Japanese industry, technology and commerce entered China via the treaty ports, and, benefiting from the unequal treaties, were officially considered detrimental to the development of China's economy. In China it is considered debateable whether foreigners really aided its development before 1949; most critics believe they stifled and exploited it instead. Some indication of the overwhelming influence of this foreign investment can be gained from looking at the figures available for certain basic industries. For example, in 1928, Shanghai's industrial investment totalled 300 million Chinese Yuan, of which foreign investment amounted to 200 million. In the case of the Chinese coal industry, in 1933, Japanese investors took 29% of the output, Britain 23% and Germany 1%. These figures exclude the Northeast of China where Japanese investors took 84% of the output. For iron ore output, 60% came from Northeast China,

much of which virtually belonged to the Japanese, with a further 36% under their control. Chinese annual pig iron output was 0.4 million tons, of which 95% was taken by the Japanese[26].

4.1.2. Post-1949

In 1949, the People's Republic of China was established, bringing a new era of relative international peace, and an emphasis on the nation's economic development. One major effect was the progressive exclusion of foreign investment from China, including Japanese investment. The historical Sino-foreign economic co-operation, which had characterized the treaty ports, was soon brought to an end. By adhering to Mao Tse Tsung's "lean-to-one-side" policy, China sought substantial co-operation with the Soviet Union, but this also ended unsatisfactorily in the late 1950s (Perkins, 1975). Finally, during the Cultural Revolution, even remaining economic ties with overseas Chinese were officially broken.

From the conclusion of the first official Sino-Japanese joint venture in March 1979 to the end of August 2000, total contract value of investment came to $37.27 billion, with an effective utilization value of $26.77 billion [27]. There were then a recorded 19,716 JAEs, which together accounted for 5.5 % of all Foreign-Affiliated Enterprises (FAEs) in China[28]. At the initial stage, capital for iron & steel, petrochemical works and machinery was exported from Japan on an unprecedented large scale, as were consumer products including electrical appliances and automobiles. Between 1985-1988 Japan started to expand its direct investment in China and, according to statistics issued by Japan's Ministry of Finance, there were only 25 investment projects totalling US $73 million by the end of March 1984. However, by the 1986 fiscal year the number had increased to 85 projects with an investment value of US $226 million[29]. The majority of investment projects took the form of new joint ventures. In keeping with changes in China's policies, aimed at attracting foreign direct investment, the number of exclusively JAEs increased, although they only account for a small proportion of the total. Japanese firms altered their management strategy following the appreciation of the Japanese yen after 1987, and their investment in manufacturing grew (Chen, 1992).

In August 1988, during Japanese Prime Minister Takeshita's visit to China, the Chinese-Japanese Investment Protection Agreement was signed. This agreement proposed that Sino-Japanese joint ventures would enjoy legal and related rights similar to Chinese enterprises. In 1989, the leaders of both China and Japan suggested the establishment of an official investment protection organisation. In 1990, a Chinese-Japanese Investment Promotion Association was established, similar to its counterpart in Japan. In 1991, both governments promised to exchange documents on revenue and other topics. (Li, 1992). All of these measures were intended to increase the confidence of Japanese firms investing in China. From 1979 to the end of 1991, China absorbed US $79.63 billion of foreign capital, including US $23 billion of direct investment. More than 40,000 FAEs were set up, of which about 20,000 went into operation[30]. These figures show that China had made progress in attracting foreign investment, although the work was still at an initial developmental stage.

Some of the factors which restrict foreign capital investment may be traced to foreign investors themselves. Many problems appear internal to China itself. These are associated with the unrealised limitations of the Chinese market, the government-designated fields permitting foreign investment, and systems for investment administration. Ideological resistance is also believed to be a decisive factor in China. For instance in China some still reject the very idea of FAEs because they consider them to be alien and capitalistic. As a result, foreign investment has often been excluded from certain fields of industry, or only given deliberately restricted access. The new wave of reform and opening up has obviously cleared away some of these obstacles and the zeal with which various parts of China have officially welcomed foreign investment appears almost unprecedented. Local state / provincial governments regularly advance new measures to attract more FDI. These measures include decentralising powers of approval, selecting a special number of large and medium-sized state-owned enterprises for co-operation with foreign investors, and establishing new development zones. Changes also now allow more foreign businesses to invest in tertiary industries (tourist hotels excluded), originally barred to foreign investment. In short, the Chinese authorities, as well as foreign investors, have together "learnt" to improve the overall investment environment over time, and changes continue still.

In 1994, the state announced that foreign businesses would be particularly encouraged to invest in inland infrastructure. This gave a detailed account of the preferential terms accorded to foreign investment in infrastructure and basic industries. China has also introduced more laws and regulations to attract and facilitate investment. During the last 20 years China claims to have promulgated more than 200 items of national economic legislation, over 50 of which were concerned with foreign direct investment (e.g. the Law on Sino-Foreign Joint Ventures, the Law on Foreign Funded Enterprises, Foreign Economic Contractual Law, etc.). Furthermore, China has not only introduced patent laws, a trade mark act, copyright laws etc., but has also joined the World Intellectual Property Organisation, and signed the World Copyright Treaty. All these measures may be considered to encourage Japanese investment, facilitating a new wave of JAEs.

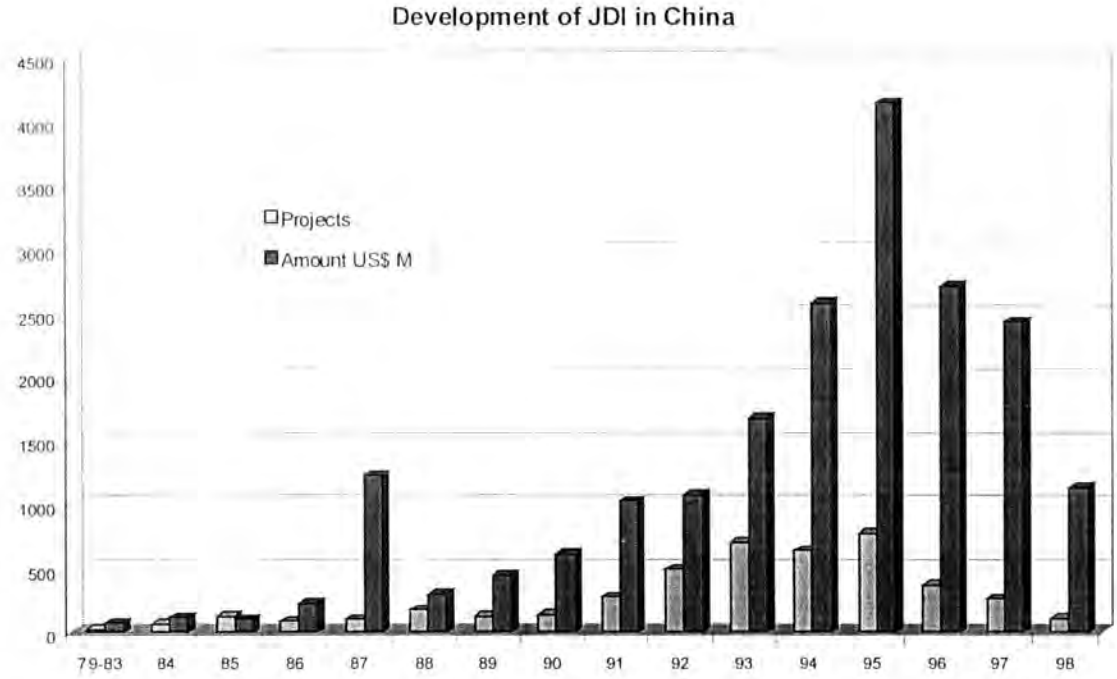
4.2. The characteristics of JDI in China

As a result of China's improved investment environment, all foreign investment, including Japanese investment continued to grow. However, after 1995, FDI and JDI in China have been reduced, and JDI declined in 1998. The following sections examine the characteristics of JDI in China.

4.2. 1. JDI Statistics

Annual JDI in China was relatively limited between 1979 and 1983. The first rush of JDI in China was in the period 1984-1987. By 1985, there were 118 projects, four times the 1979 to 1983 number. The second rush was from 1988 to the spring of 1989, and the third rush lasted from the summer of 1991 until 1995. JDI in China showed particularly fast growth from 1992. In 1995, JDI in the USA was US $21.004 billion, accounting for 44 % of the total, and JDI in China was US $4.152 billion, only 20 % of the USA total. Nevertheless, China was Japan's second largest investment partner in the world. After 1996, and the recent economic slowdown in East Asia generally, JDI in China has been reduced. The development of JDI in China is shown in Figure 2-2.

Figure 2-2: Development of JDI in Chin



Source: Made by the researcher according to reference statistics from the Ministry of Finance, Japan. See home page **http://www.mof.go.jp**.

The intervening troughs are particularly associated with politics (for example when Hu Yaobang was relieved of his post and the Tiananmen Square incident). Japanese funds are characteristically sensitive to the Chinese political situation. Based on Figure 2-2, the changes in the number of investment projects and the amount invested in US$ value falls into four distinct stages. These are highlighted in Table 2-2 below.

Table 2 - 2: Proposed developmental stages for JDI in China

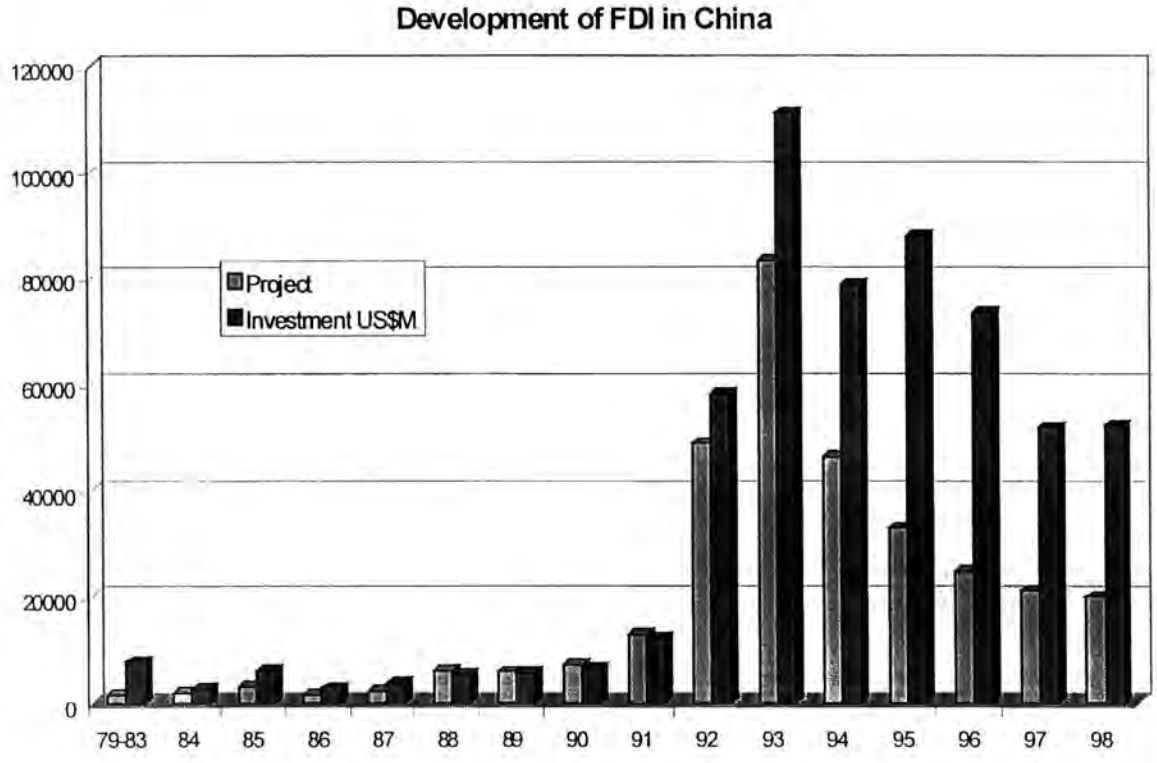
Stage	Period	Total Projects	Value in US $ m.
Initial stage	1979 - 83	25	73
Second stage	1984 - 88	540	1,962
Third stage	1989 – 93	1,728	4,825
Fourth stage	1994 - 98	2,141	13,022

After 1992, JDI entered a fast growth stage. In 1994-98 the total number of investment projects was 86 times greater, and the total investment amount 178 times greater, than in 1979-83. From 1994 to 1998, the yearly average number of projects was 428, with an average value of US

$2,604 million. This compares with the initial stage between 1979 and 1983, when there was an average of only 5 projects and a value of US $14.6 million. Thus the most recent stage of JDI represents a considerable increase. In 1995 projects numbered 770 and were worth US $4,152 million, 1.2 and 1.6 times their value in 1994, creating a new record in the history of all JDI in China. The average value of each project increased from US $2.92 million during the initial stage to US $6.08 million during the fourth stage, and the most recent figure of US $10.06 million for 1998.

If these figures and findings are compared with those for the development of the total FDI in China, there are certain interesting features as shown in Figure 2-3.

Figure 2-3: Development of FDI in China



Source: Made by the researcher, 1979-1994 based on: ***Statistical Yearbook 1995***, State Statistical Bureau, Beijing; 1995-98 based on: "Statistics Data", **China Ministry of Foreign Trade & Economic Co-operation**, home page: **http://www.moftec.cn/**.

After 1993, total FDI in China gradually reduced. Yet, at this time, JDI continued to increase until 1995. It is clear that much direct investment comes from small and medium sized Japanese firms. In the 1980s, there were only 6 of the top 20 large Japanese firms significantly investing in China: Hitachi, Matsushita, Canon, Nippon Kokan, Sanyo and Isuzu. In terms of scale only Sanyo and Matsushita can be considered to have made relatively large investments. By the end of 1995, 11 of the 14 remaining firms had also invested in China[31], while Matsushita, Hitachi, Sanyo and Isuzu had increased their investment in China considerably. Matsushita alone has established 36 enterprises in China, with total investment of over US $500 million, while Sanyo, Hitachi and NEC have interests in 24, 16 and 10 enterprises respectively in China[32]. Although the idea of the individual firm, in Japan as elsewhere, was considered subordinate to that of the entire "business group" this is nevertheless an important development.

4.2. 2. Types of JAEs

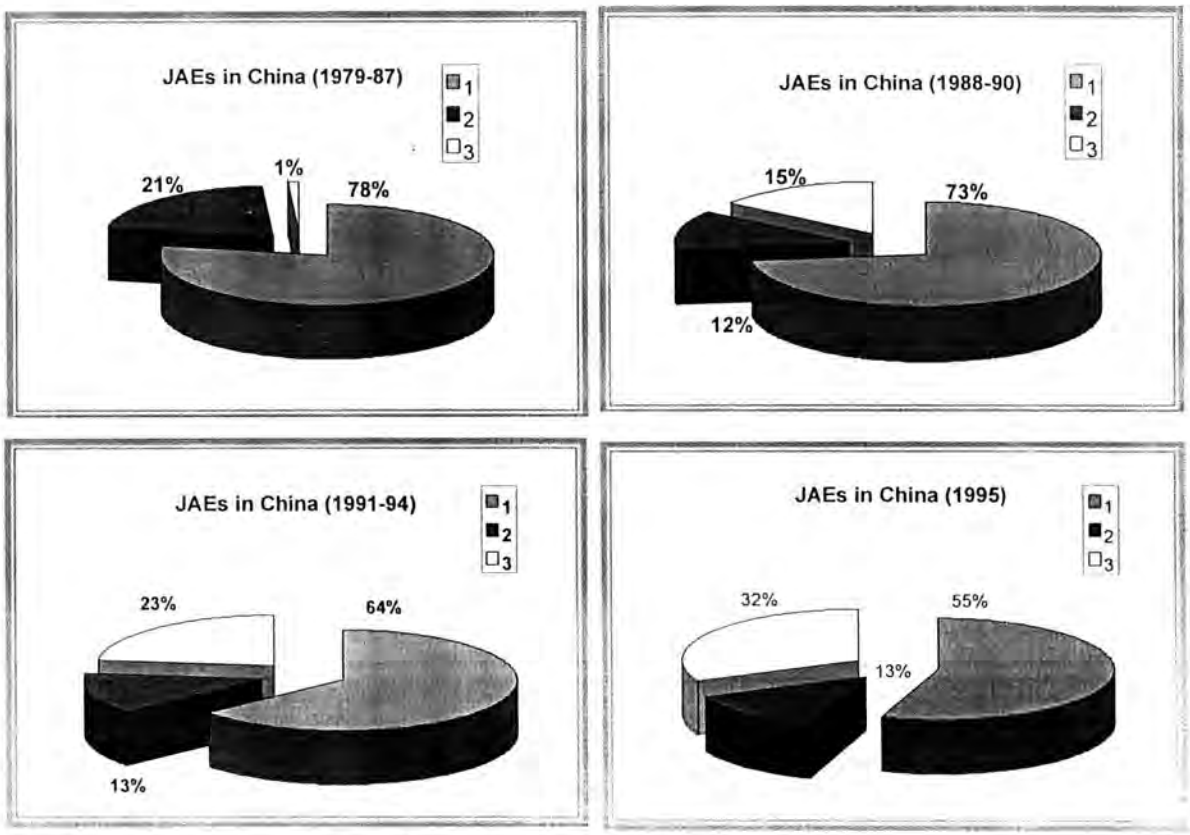
In general, Foreign Affiliated Enterprises (FAEs) in China take one of three forms - joint ventures, co-operative ventures and wholly foreign-owned enterprises. The main difference between co-operative and joint ventures is that co-operative ventures do not necessarily calculate their shares on the basis of the funds invested and allocate the profits proportionally to the shares. They distribute profits based on agreements over investment forms and allocation proportions (Zhu and Yu, 1991). There have been three stages in the development of funding for FAEs, including Japanese Affiliated Enterprises (JAEs).

In the first half of the 1980s, most FAEs were co-operative ventures. Joint ventures accounted for most of the remainder, followed by wholly foreign-owned enterprises. From 1979 to 1985, FAEs in China totalled 6,316, with co-operative ventures making up 59%, joint ventures 29%, and wholly foreign-owned enterprises only 2% of the total. Similarly, co-operative ventures accounted for 62.8% of the total actual investment (US $ 2,962 million), with joint ventures forming 34%, and wholly foreign-owned enterprises 4%[33]. During the second stage, from 1986 to 1990, the situation changed. In 1986, joint ventures constituted 67% of FAEs, and 50% of the total actual utilised investment. Co-operative ventures accounted for 39% of FAEs, and 49% of

total actual utilised investment, whilst wholly foreign-owned enterprises accounted for only 1% of both total FAEs and actual utilised investment[34].

The last stage dates from 1991 to the present. After 1988, wholly foreign-owned enterprises in China increased more rapidly, with the proportion of wholly foreign-owned enterprises surpassing that of co-operative venture enterprises in 1991. In that year, joint ventures accounted for 65% of the total FAEs and 53.1% of actual utilised investment, co-operative ventures were 4% and 21.1% respectively, and wholly foreign-owned enterprises were 27.1% and 23.8%. FAEs have therefore progressed to a situation where joint ventures rank top, wholly foreign-owned enterprises second and co-operative ventures third. A similar trend has occurred in the development JFEs in China, as shown in Figure 2-4.

Figure 2-4: Development of JAEs in China



1= Joint ventures, 2 = Co-operative ventures, 3 = Wholly foreign-owned enterprises

Source: Made by the researcher from data based on the China Statistics Yearbook.

Between 1979 and 1987, there were 420 JAEs recorded as set up in China, including 326 joint ventures, 89 co-operative ventures and only 5 wholly Japanese-owned enterprises. After 1987, the situation changed. From 1988 to 1990, there were 872 JAEs in China, of which 631 were joint ventures, 108 were co-operative ventures and 133 were wholly Japanese-owned enterprises.

4.2.3. Geographical distribution of JAEs

Because of the varying conditions in different sectors and locations, JAEs in China have not been equally distributed. In numerical terms, most JAEs are to be found in the eastern part of China, especially in the cities of Dalian, Shanghai, Beijing, Tianjin and Shenzhen. Even within these areas, their distribution varies, in that the number of JAEs in the Dalian Special Economic Zone, for example, is greater than elsewhere.

The Japanese publication "***List of Foreign Affiliated Enterprises in China, 1994 Edition***" listed 2425 Japanese and 1344 USA funded enterprises. Their overall distribution is shown in Figure 2-5 below. This chart shows that many Japanese and USA affiliated enterprises are concentrated in Shanghai, Beijing, Tianjin and other coastal areas, with 32 % of total JAEs, and 28% of the total USA affiliated enterprises in those three cities alone. Liaoning, Guangdong, Jiangsu and the remaining 6 Coastal provinces accounted for 59% and 58% of all Japanese and USA affiliated enterprises respectively. Other inland areas only accounted for 9% of JAEs, and 11% of USA affiliated enterprises. Japan and the USA have both paid attention to Beijing, Shanghai, Tianjin and the coastal areas, with Japan showing more interest in Liaoning (29%) than the USA, and the USA showing more interest in Guangdong (26%) than Japan. Both showed less interest in inland areas, although the USA's was slightly greater (11% to Japan's 9%), which could suggest more USA started to realise the strategic significance of the inland areas well before Japan. In particular, USA affiliated enterprises are more numerous in important inland provinces like Sichuan, Hubei, Hunan, Anhui and Henan. Only in Northeast China, in Heilongjiang and Jilin, are JAEs more numerous than USA affiliated enterprises, suggesting this continues to be an important traditional preference for Japanese business interests.

After 1992 the distribution of JAEs in China changed. Firstly, JDI gradually moved its main focus from traditional business areas in the Northeast to Central and Southeast China. Following this, some Japanese firms demonstrated interest in Central and Western areas. Over time, JAEs concentrated within the Economic & Technological Zones and the Bonded Areas of the provinces and cities. Figure 2-6 shows the trends as below.

Figure 2-5: Location trends of JDI in China

4.2. 4. Industrial distribution of JAEs

Unlike certain other major countries, Japan initially invested more in tertiary sectors, such as hotels and leasing, compared to manufacturing industry. For example, from 1979 to 1988, total investment in non-manufacturing was US $1,624 million, and in manufacturing was US $349 million[35]. Even within the non-manufacturing sector, the investment impetus was always more towards services and real estate than agriculture, forestry, fishery and banking, and insurance. In

manufacturing, many JAEs were to be found in food, fibres, electrical and other machinery and chemicals, mainly in labour-intensive and processing enterprises. The proportion of JAEs found in capital-intensive and technology-intensive, particularly hi-tech intensive, enterprises was relatively low, and a subject of continuing criticism by the Chinese State authorities.

Table 2 - 3: Japanese investment by industry in China (in million US $)

	1979-88	1989	1990	1991	1992	1993	1994	1995
Manufacturing								
Foodstuffs	38	13	9	19	29	67	130	144
Textiles	23	11	21	70	120	232	332	471
Lumber & pulp	8	1	2	1	3	43	10	71
Chemical	31	11	12	11	19	96	100	141
Iron & steel non-ferrous metal	24	6	14	11	29	80	158	360
Machinery	20	42	50	29	50	229	131	479
Electric/electronic	154	80	22	123	189	332	492	926
Transport equipment	6	1	1	9	33	83	224	386
Others	45	40	30	35	177	216	276	503
Subtotal	349	206	161	308	650	1377	1853	3481
Non manufacturing								
Agriculture / forestry	6	0	2	2	5	4	3	18
Fisheries	36	6	4	3	12	6	7	11
Mining	6	4	20	1	2	0		8
Construction	3	4	7	1	7	6	80	89
Commerce	43	9	3	6	24	55	148	261
Banking & insurance	1	10	2	11	0	10	1	
Services	417	174	136	189	219	120	207	181
Transportation	8	15	0	2	26	25	22	49
Real estate	96	8	9	16	65	43	141	275
Other	1015	0	0	0	0	0	0	0
Branches	54	1	3	40	---	---	104	103
Subtotal	1624	231	186	271	361	269	608	890
Total	2036	438	349	579	1070	1691	2566	4473

Source: Made by the researcher from data collected from the International Capital Section of International Financial Bureau of the Japanese Ministry of Finance, 1997.

Table 2-3 shows the changes observed in the distribution of JAEs by industry in China since 1992. Consistent with Chinese policy allowing foreign firms to make more investment in new industrial fields, Japanese investment increased not only in traditional industries such as textiles,

machinery, electric and electronic industries, but also in transport equipment and commerce. Since 1994 changes in Chinese FDI policy have led to more investment in the banking and insurance fields, although the reported rate of investment apparent by 1995 suggested major growth all round.

5. Development of JAEs in China

The establishment of JAEs in China has grown rapidly since early 1992 when the country accelerated its pace of reform, and increased the scope for foreign investment. A variety of incentives might have attracted Japanese investment to China, including abundant labour, cheap costs, rich natural resources, easy access to raw materials, and a large market. The most important reason, according to one Japanese commentator, was that China has promoted a positive policy of international co-operation (Ito, 1994). Against this background, how does one evaluate the role and problems of JAEs in China?

5.1. The role of JAEs in China

There are now a number of views about role that JAEs play in China, summarised below.

5.1.1. Development through capital realisation

According to figures from the China Statistical Bureau, actual utilised FDI made up 2.8 % of all Chinese annual fixed capital investment during the 1980s, but in 1991 it increased to 4.5 %, 8 % in 1992, and 13 % in 1993. Foreign affiliated enterprises have thus played an increasingly important role in the Chinese economy, where the value of gross output of FAEs accounts for 11 % of the national gross value of all industrial output. In Shenzhen, Xiamen, Shantou and Zhuhai (four Special Economic Zone cities) this proportion rose to 64 % in 1993. JAEs account for 11 % of the total number of FAEs in China, and have played a similar role in the Chinese economy. Actual utilised investment by Japanese firms' amounts to 58 % of contracted investment. This compares with an overall actual utilised foreign investment rate of 27 % by the foreign companies. This is the highest rate of actual utilised foreign direct investment by any of the more

than 150 countries and areas with an interest in China[36], which also suggesting the Chinese still hope more investment to come.

5.1.2. Transfer of technology and management skills

JAEs have made limited transfer of some advanced technology to China, such as fibre-optic networks, communications equipment, colour televisions, automated instruments and meters, and pharmaceutical products. Fuzhou Television Plant and Hitachi Electronics Ltd created a JV company called "Fu-Hi Television Co., Ltd", and Beijing Electronic Tube Plant and Matsushita Electric Industrial Co., Ltd created a JV company "Beijing-Matsushita Colour CRT Co., Ltd, both of which transferred some advanced television technology (Lin, 1990). Other advanced 1990s' level technology transferred to China has included video recorder mechanisms (Matsushita-Hualu Co. Ltd), ripple control tubes (Shanghai-Matsushita Electronic Co. Ltd) and the largest absorb stage refrigeration machine (Dalian-Sanyo Refrigeration Co. Ltd) and so on (Wang, 1996). However, the scale of advanced technology transfer is, as we shall see later, still the subject of some criticism.

Japanese-style management ideas and skills have also been transferred to China, including aspects of total quality control, financial management, human resource management, and marketing management. Japanese firms have set up training courses to transfer management methods to China. For example, Matsushita has provided technical and management training in Japan for 5,000 Chinese over the last ten years. Matsushita has also established a training centre in China, which has organised courses such as "Operational concepts", "Human resource management", "Total quality control" etc. (Wang, 1996). Japanese development aid and assistance has played an important role in facilitating educational exchange likewise. However, there are still important questions about how often, and well, such transfers actually take place and who benefits as a result.

5.1.3. Promoting an export-oriented economy

FAEs have given an impetus to Chinese foreign trade. For example, from 1992 to 1994, the total value of imports and exports was US $198.42 billion, accounting for 33 % of the total value of imports and exports (US $597.96 billion). In both 1993 and 1994, FAEs' exports of industrial products accounted for 93 % of all FAEs' exports[37]. Japanese affiliated enterprises in foodstuffs, fishery and aquatic products, fibre and fashion industries make up 50 % of the total of JAEs. Most are export-oriented enterprises and over 70 % of their products go back to the Japanese domestic market. Many JAEs may be considered to have performed well. In 1993, of the top 100 Chinese export enterprises for machinery and electrical appliances, 41 were FAEs and 9 were JAEs. Huaqiang-Sanyo, Canon-Dalian, Mabuchi-Dalian and Dalian-Sida were four JAEs who were among the top ten exporters[38].

5.1.4. Increasing tax revenue and employment

FAEs have become an important source of Chinese national tax revenue, accounting for RMB 10.7 billion in 1992, 2.6 % of the total national tax revenue. Tax revenues realised from FAEs' amounted to RMB 20.6 billion in 1993, increasing to RMB 35 billion in 1994[39]. By the end of 1992, the total number of FAE employees was 6 million or 1 % of China's total workforce. This figure had increased by 1994, to a total of 14 million[40] FAE employees. There are no separate figures for JAEs, but they will have made a proportional contribution.

5.2. Issues for further development

Without a doubt, JAEs have given some impetus to China's economic reform and development. However, several prominent reviews of JAEs in China, both Chinese and Japanese, have highlighted problems.

5.2.1. Preferential mismatches and tensions

The marked increase in JDI in secondary industry has lately outstripped that in tertiary industry. Three quarters of such JAEs were concentrated in electronics, machinery, light industries and textiles, and pharmaceuticals, with light industry, electronics and machinery as the major downstream industries. Japanese investment has clearly been limited in officially upstream industries like metallurgy, power generation, chemicals, petroleum and building materials. For such industries, not only did the investment involved represent a small percentage of the total, but also most projects produced only intermediate products. For instance, in the metallurgical industry, Japanese funded projects were mostly on the steel casting, forging and rolling side, with very few turning out raw products. By comparison with European investment projects, Japanese projects involving high technical level products considered to make an important contribution to China's economic development, are very few. For example, there have been few projects in the automobile industry, and in industrial automated control equipment both sectors are subject to sensitive negotiations. This reflects the different strategies pursued by Japan and China. Given a main objective to gain steady and increasing benefits, most JAEs have been established in tertiary and manufacturing industries such as real estate, machinery, and textiles. However, the Chinese strategy is to make up deficiencies in energy, transport, infrastructure and hi-tech industry as quickly as possible. Although JDI in China has developed rapidly, it has not played the role the Chinese State sought in this regard, and there preferential mismatches still cause important tensions.

5.2.2. Unequal geographical distribution of JAEs

As indicated above, 91 % of all JAEs are concentrated in the East Coast area of China (see Figure 2-5), few being established in inland areas. Some provinces like Xizang (Tibet), Gansu, Qinghai and Ninxia have only a few JAEs. There are several reasons for limited Japanese investment in inland areas, especially the mid-west areas. Although transport links and infrastructure are poor, and the industrial base is likewise poorly developed, one key factor is policy differences between coastal and inland areas. Therefore, changes in central government

policy could effect the distribution of JAEs. Though changes in local conditions and infrastructure can only be achieved gradually, policy changes may take effect quicker.

5.2.3. Limited management know-how and technology transfer

Many Japanese enterprises are exporters interested in China's cheap labour and materials (Chen 1993). Key aspects of the importation of parts, export of products, and the management of the enterprise could be managed by the Japanese. The impression of continuing Japanese conservatism over technology transfer is so strong that some critics believe this intends maintaining a 15 year technical gap between the two countries (Huang, 1994). The Japanese were reportedly particularly concerned about the lack of protection for intellectual property rights, fearing the Chinese may eventually cut into their export markets using their own Japanese technology (Campbell, 1987). As a result, the transfer of advanced technology to China appears cautious and conservative, with the Japanese preferring the direct export of standard equipment, rather than the full transfer of advanced technology, despite the examples quoted before. Some Japanese would argue that technology transfer must be matched to local conditions (Kojima, 1977), but still fear that, once transferred, the spread of technology will go beyond their control.

5.2.4. Unsatisfactory legal and regulatory regimes

Chinese marketing may be considered poor with particular deficiencies in laws and regulations that deliberately restrict foreign access to the Chinese market. In addition, Chinese state management of foreign investment has demonstrated deficiencies, such as multilateral control, and disparaties in the systems for administering incoming investment. There are also other more complex issues, whose solution will depend on improvements in Chinese foreign-related economic legislation, and standardisation of operations in relation to taxation, finances, accounting and so on. A mature and well-regulated investment regime that conforms with international norms is clearly needed. Critics also believe this has been achieved by local state governments at the expense of state enterprises, which favour purely national interests, and this belief has been reinforced by surges in Chinese nationalism generally.

5.2.5. Disputed equipment and property valuations

Until now China has lacked an authoritative system for precise valuation of technical equipment and technologies. As a result, some Japanese businesses are suspected of over-valuing equipment investment, importing used or substandard equipment under the guise of new plant, to the detriment of their Chinese partners. On the other hand, the Japanese have complained about their Chinese partners over-valuing site rents and housing as part of their investment. Projects may have faltered because of the Chinese over-valuing their site rents and property (Ito, 1994).

5.2.6. Chinese labour and public service quality

Certain Chinese partners have tended to adopt the management methods of former state enterprises, methods which pose problems for Japanese. Some Chinese managers may lack the necessary skills and many Chinese partners do not yet understand international business customs and law. On the other hand, the shortage of skilled Chinese managers, technical engineers, accountants and interpreters has created competition for talented people between state and foreign funded enterprises. Given the condition of the Chinese transport system, telecommunications, ports, electricity, roads, and water, infrastructure can be poor and service support not sufficiently high by international standards.

6. Summary

We may now understand Chinese concerns over foreign capital. Many still have memories of the "foreign economic invasion" of China before 1949, especially by the Japanese. Between 1931 and 1945 the Japanese are considered to have appropriated over US $200 billion[41] of resources from China so, up to 1949, the Chinese periodically boycotted Japanese products. Such historical factors are still influential today. They easily remember past humiliations when foreign products, particularly Japanese products, dominated China's market. This is a common feeling across China. Academic specialists too have expressed concern over national economic security with the amount of FDI now entering China. Some scholars (e.g. Xia 1996 and, Gao 1996) have

suggested three tests to gauge the economic security of FDI entering China: **1)** rate of market possession; **2)** rate of localisation; **3)** dependency on foreign capital.

Chinese capital flows have changed dramatically: national and foreign funds have gone from both being in deficit to surplus. For example, in the case of national funds in 1994, the total savings were then reportedly over RMB 2000 billion, with savings increasing more rapidly than loans. For all banks this amounted to virtually RMB 405.3 billion, of which national banks made up RMB 222.3 billion. In 1995, the amount in national banks rose to RMB 268.4 billion. Looking at foreign funds, the 1994 national foreign exchange reserve was US $51.6 billion, for 1995 it was US $73.5 billion, and in 1996 rose to US $110 billion[42]. The reported doubling of the surplus in national and foreign funds encouraged arguments against more foreign funds. Now it appears that the FDI level has fallen, another set of questions has arisen. Does China really have so much capital that it does not need greater foreign funds? The answer is clearly negative. The current finances of many state enterprises are in serious difficulty, with many not able to manage normal production, or replace equipment. All are very much in need of finance to continue to support their operations. Why is this the case? One main reason is the lack of co-ordination between national and foreign capital priorities.

During the 2000-year relationship between China and Japan, few conflicts have occurred but in recent centuries, diplomatic turmoil disrupted the otherwise relatively peaceful relationship. JDI situations past and present have been compared and contrasted to highlight particular differences and show the level of economic interdependence that exists between China and Japan.

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Chapter Three

Theoretical Framework and Literature Review

1. Introduction

This chapter will propose another theoretical framework, which extends the Harrigan and Parkhe models, by giving more attention to the later development of the JV, and also the resulting evaluation stage. It will then review the literature on both international and Japanese joint venture management in China, and assess the implications for further research. The theoretical framework adopted is divided into five main overarching issues: (1) motives; (2) partner selection; (3) control and conflict; (4) performance, and (5) investment environment, generating thirteen questions for further research.

2. Choice of Theoretical Framework

Harrigan (1986) proposed the so-called "Child" model, an integrated joint venture framework, based upon three main forms of relationship dynamics: partner-to-partner, owner-venture, and competitive venture environment. These relationship dynamics are tests for "the viability of joint venture strategies for its owners". This was expounded in three separate chapters, which 1) elaborate on partners agreeing to form a JV, 2) addresses subsequent owner-venture relationships, and 3) relates the venture to its external competitive environment, in the manner of a strategic triangle where "the motivations and fears of potential partners as well as their strengths and shortfalls must be considered when evaluating them". However, it is not just necessary to consider how JV's were first founded, but also how the venture will then subsequently operate, and what further operational development problems will arise. Indeed, the full nature and validity of the founding strategy may not become apparent until some time after operations begin, and its organizational character matures.

Parkhe (1993) further suggested that the development of IJV theory should use the core concepts of trust, reciprocity, opportunism, and forbearance to provide the necessary additional theoretical underpinning. Furthermore, these concepts go to the heart of inter-firm co-operation, and link effectively with each of the dimensions identified in Figure 3-2. As Daft and Lewin (1990) suggested, to develop understanding, new dimensions of a concept need to be fully explored, before further dissecting and analysing similarities within already established variables. Parkhe therefore focuses upon "motives for IJV formation", "partner selection / characteristics", "control / conflict" and "IJV stability / performance" as the four stages to be used to explore IJV founding and development.

3. The Further Theoretical Model Developed

As illustrated in Figure 3-1, this holds that five variables influence JAEs founding and development in China:

1) the investment motives of Chinese and Japanese parent companies;
2) mutual partner selection and objectives;
3) control and conflict in the founding and development process;
4) the considered performance of the JAE itself;
5) interactions with the competitive investment environment.

As indicated above, Harrigan's framework is thus a first basic model, which this study seeks to develop further, not least regarding Parkhe's four stages for further IJV research. These have here been summarised as "motives", "partner selection", "control and conflict" and "performance", and reintroduced into Harrigan's framework. Both Harrigan and Parkhe models have then been synthesised into another hybrid model, based on Harrigan's "Child" framework, supported by Parkhe's further developmental stages. The key factors in this new hybrid model will now be explained in more detail.

- Motive factor: this applies to the Chinese and Japanese parent companies. If for example, a Japanese firm possesses finance, technology and management know-how, and through a Chinese firm can access local market, low cost labour and materials, it can then exchange intermediate products in an internal market, and thus avoid certain corresponding risks in the external market, giving it very particular set of motives for joint venturing.

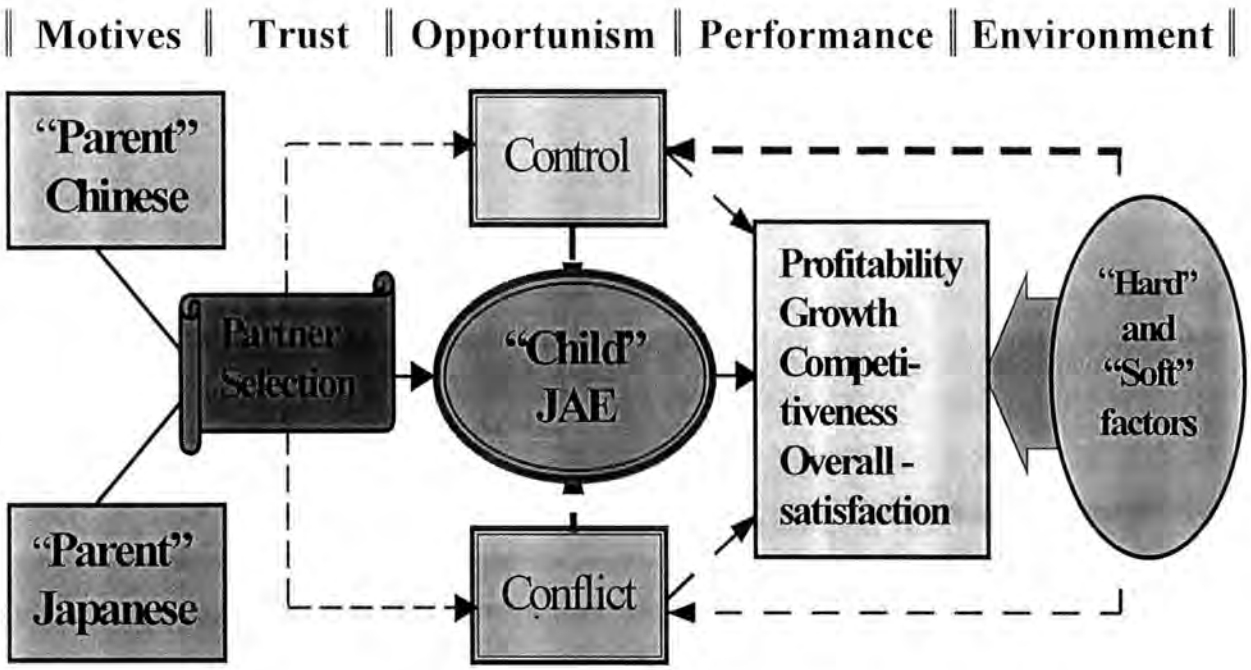
- Trust factor: trust applies to the original process of partner selection. According to Transaction Cost Theory, where two or more types of knowledge are held by the Japanese and Chinese firms, and they could not access each other's knowledge at low cost, they could then specifically combine together to form a joint venture. Therefore, the process of partner selection includes the cost of negotiating whatever arrangements joint ventures rest upon.

- Opportunism factor (control and conflict): this exerts direct influence upon a "Child", that is, the JAE co produced by Japanese and Chinese parents. In the process of seeking and exacting control, further possible conflicts could arise, and change the balance of any benefits which might result.

- Performance factor: this includes profitability, growth, competitiveness and overall satisfaction. These may occur directly in the JAE and also indirectly within Japanese and Chinese parent companies. As we know, after the JV is founded, and parent firms transfer intermediate input to it, performance will partly reflect the efficiency of this transfer, as well as any advantages of such internalisation.

- Environmental factor: these are fundamentally those economic, political, social, cultural and technological factors special to JAEs located in China. These operate under the conditions set by Japanese and Chinese, but mostly within China. Such factors could influence both JAE performance, and the nature of control exerted upon it.

Figure 3-1: Proposed Model



The "Child" (JAE) has been used as an indication of the effectiveness of the Japanese and Chinese in approaching the founding and operation of joint ventures.

4. Definition of Variables

"Competitive environment" refers to that external environment described by Harrigan (1984), which influences both the initial configuration and later stability of a JV. Beamish (1988) pointed out that "the external environment is considered to include such things as industry structure, competitive behaviour, technology and government policies." Specifically in this research, the "external environment" is of a competitive character that includes: politics (linked with government policies), economics (from industry structure), technology, society and culture (from competitive behaviour).

"Parent companies" are part of the internal environment suggested by Harrigan (1986) who suggests that owners will face fewer co-operative strategy options in some competitive environments than in others, and that specific industry traits impact upon chances of joint

venture success. Four further features have been selected for the investigation of parent companies: origin, background, motives, and objectives.

"The performance of the JAE" according to Dunning (1995): "Through (multinational enterprises) impact on such variables as government policy, the pattern and quality of consumer demand, the creation of innovator capacity and the upgrading of human skills, entrepreneurship and the work ethic, they may quite dramatically affect the market structures in which they compete, and the performance and business practices of indigenous firms." Aspects for further study encompass: profitability, growth, competitiveness and overall venture satisfaction.

"The Child -- JAE" As Harrigan (1986) pointed out: "many conflicts within ventures arise from the simple fact that there is more than one owner. Each owner wants to co-ordinate the venture's activities with its own, and owners often have not created adequate mechanisms to resolve day-to-day deadlocks in decision making." The opportunism of the "Child" JAE in China is therefore included for investigation in terms of control and conflict.

5. The Study of International Joint Ventures in China

Management research in China has grown since 1978. When the first articles on China were published in Western management journals during the early 1980s, specialists advocated a new arena for management research (Shenkar, 1994). In the beginning many Western scholars produced case studies and/or questioned the universality of Western theories in a Chinese context. Later studies became progressively more specific regarding motivation, work values. leadership, compensation, human resource training and development (e.g., Tung, 1981, Warner. 1986, Shenkar and Ronen, 1987, Henley and Nyaw, 1987, Shenkar and Chow, 1989). Some used primarily Western constructs and instruments on Chinese subjects (e.g., Adler, Campbell and Laurent, 1989), a few involved experimental design (e.g., Earley, 1989), while others employed qualitative approaches (e.g., Boisot and Child, 1988). Many more books and edited volumes on management in China have since been published, including Tung (1982), Brown (1986). Laaksonen (1987), Warner (1988), Shenkar (1990), Lee (1991), Pearson (1991), Grub and Lin.

1991, Child (1994), Roehrig (1994), Rowley and Lewis, (1996) Qu and Green (1997), Pearson (1997), Strange (1997), Lang (1998), Kelley and Luo (1999) among others.

However, in certain respects, the literature on IJVs in China is still limited, especially regarding in-depth qualitative studies, while others concentrate upon the problems of doing business in China for a Western management audience. Studies of foreign affiliated enterprises in China, in particular JV research, can be divided into the following types using Shenkar's categories. **1)** Descriptive accounts of joint venture activities classified by investor country (e.g., Beamish and Wang, 1989; Ho, 1990; Pearson, 1991; Roehrig, 1994). **2)** Small-sample studies dealing with foreign parent motivation and political risk (e.g., Daniels, Krug and Nigh, 1986; Davidson, 1987: Kueh, 1992) and related management problems (e.g., Henley and Nyaw, 1987; Pearson, 1992). **3)** Large-scale studies on mainly macro strategic issues (e.g., Campbell and Adlington, 1988: National Council for US-China Trade, 1987,1990; Pomfret, 1988, 1991; Shapiro et al., 1991; Bi, 1994). **4)** Business journalistic accounts of joint venture cases (e.g., Goldenberger, 1989; Mann, 1990; Casson and Zheng, 1992; Breslin, 1996). The scope of the main studies in the field of IJVs in China can be summarised in Table 3-1 as below.

Table 3-1: Classification of the Main studies of IJVs in China

Author and publication date	Research method	Sample size	Heading	Partner nationality
Chen (1986)	Questionnaire	931	Performance	Various
Daniels, Krug & Nigh (1986)	Interview	11	Motives	US
Davidson (1987)	Questionnaire	47	Partner selection	US
National Council (1987)	Questionnaire	155	Control & conflict	US
Campbell (1987)	Interview	38	Motives	Various
Goldenberg (1988)	Case study	1	JVs strategy	US, UK
Beamish & Wang (1989)	Desk data	840	Motives	Various
Campbell (1989)	Interview	30	JVs Strategy	Various
Child, Li and Watts (1990)	Interview	79	Control	Various
Shenkar (1990)	Case study	3	Management	US,HK,UK
Mayer, Han & Lim (1990)	Case study	6	Performance	Various
Aiello (1991)	Case study	1	Performance	US
Pearson (1991)	Interview	28	Control & conflict	US
Casson & Zheng (1992)	Questionnaire & desk data	79 2136	Motives	Various
Chen, J. (1992)	Questionnaire	100	Control & conflict	Japan
Federation of HK Industries (1992)[3]	Questionnaire & Interview	1596	JVs strategy	HK

Stelzer et al (1992)	Questionnaire	306	Performance	Various
Beamish (1993)	Interview	22	JVs strategy	Various
Bruijn & Jia (1993)	Case study	4	Performance	Various
Glaiser & Wang (1993)	Questionnaire	41	Motivation & partner selection	UK
Pan, Vanhonacker, Pitts (1993)	Interview	73	Control & conflict	Various
Au & Enderwick (1994)	Questionnaire	13	JVs strategy	New Zealand
Barnowe, Yager & Wu (1994)	Interview	30	Control & conflict	Various
Bruijn & Jia (1994)	Questionnaire & case study	27 6	JVs strategy	Various
Bulcke & Zgang (1994)	Questionnaire	4	Motives	Belgium
China State Statistics Bureau (1994, in Chinese)	Questionnaire	1066	**Performance**	Various
Japan Small Business Financial Council (1994)[4]	Questionnaire	61	Investment Environment	Japan
Japan Empire Data Base (1994)[5]	Questionnaire	106	Motives	Japan
Kim (1996)	Case study	3	JV strategy	HK
Lu & Wan (1996, in Chinese)	Case study	67	Control & conflict	Various
Pan (1996)	Dataset	4223	Control & conflict	Various
Hamill & Pambos (1996)	Case study	3	Partner selection & control	UK
Dong, Buckley & Mirza (1997)	Questionnaire	114	Control & conflict	Various
Huang, Han & Xu (1997, in Chinese)	Case study	2	Performance	US
Lin (1997, in Chinese)	Questionnaire	40	Motives	Various
Ma (1998)	Interview	20	Performance	Various
Luo (1998)	Questionnaire	116	JV Strategy	Various
Sergeant & Frenkel (1998)	Interview	27	Control & conflict	Various
Huang (1998)	Interview	14	Control & conflict	Overseas Chinese
Groot & Merehant (2000)	Case study	3	Control & conflict	Various

Note: theme categories are approximations only.

These studies have as their common theme the process of founding and establishing JVs in China. They differ in terms of their purpose, research methods employed, and in particular, their original perspective. As Stewart (1994) pointed out, there have been variable effects on Chinese management theory and practice, including state policy towards IJVs generally. Early studies such as Daniels et al (1986), Davidson (1987), and Campbell (1987) conducted small-sample studies of foreign parent motives and political risk. However, although these might appear basic, they are still useful. Chen (1986) and National Council (1987) likewise produced studies based on large samples and described the general situation in more depth.

Shenkar (1990) categorised different types of case studies and their implications for management. He assessed these problems in terms of their uniqueness or recurrence in various other countries, suggesting many were more the result of the structural complexity of JVs than cultural and political differences between foreign and Chinese parents. Mayer et al (1990) examined the performance of six JV enterprises in Tianjin, seeing JVs as one form of technology transfer that has attracted many MNEs to China. They indicated that firstly, the Chinese market itself might not prove as attractive as the foreign partner initially expected; secondly, the Chinese partner could gain more from the JV than the foreign partner; thirdly, MNEs apply different performance criteria to their Chinese JVs than those used elsewhere. Child et al (1990) compared the management styles among different JVs in terms of four indexes: decision making, formalisation, communication and codification, and personnel policy and training. The influences on management style of other factors such as industry, size, origin of investors and so on was also examined. Such studies were nevertheless based upon small samples, which may not necessarily lead towards wider generalizations about anywhere as vast and complex as China.

Aiello (1991) presented a "platform theory" to explain the problems of IJVs through a case study of the Beijing Jeep Corporation. The main argument was that this Sino-US JV enterprise was not a typical Western business entity, but a temporary platform built by both parties. Aiello made two points as a result: (1) the maximisation of dividend income from the venture was not a top priority for either party, and (2) short to medium-term interests prevail. Beamish (1993) reviewed twelve characteristics of IJVs in China and contrasted them with other developing countries. The hypothesis was that each of the twelve characteristics would be similar in both planned and market economy developing countries. In actuality seven particular characteristics were found notably similar. As a result Beamish argued for a contingency approach to IJVs that did not assume IJVs within developing countries were necessarily similar. Casson and Zheng (1992) found that the liberalisation of IJVs in China had progressively addressed Western investors' concerns regarding the protection of technology and the implementation of quality control.

Barnowe, Yager and Wu (1994) consider the management experience of 30 FAEs in Guangdong. Perceived cost advantage ranked higher than market access as a motive for founding an FAE.

Thus, their findings differ from Bulcke and Zhang (1994) regarding the motives of four Belgian funded enterprises. Their respondents emphasised the difficulty experienced by managers in China's transitional economy. Bruijn and Jia (1994) unusually researched product selection and localisation of content in Sino-western JVs. They observed continuing price, quality, and supply issues. They maintain that many foreign partners first leave localisation to the Chinese, but real successes only arose where the foreign partner gave this top priority and took the initiative. The data set of 4223 IJVs in China analysed by Pan (1996), examined the determinants of foreign equity ownership in JVs in China. Eleven variables that impact on foreign ownership preferences and concessions were examined. This study showed that the key determinants of equity ownership found in studies of JVs in the West continue to shape preferred ownership strategies in IJVs in China too. A limitation of this study was its reliance upon US data sets, which may not entirely reflect those found elsewhere. Kim (1996) made an analysis of IJV strategic issues through three Hong Kong based case studies. This study presents a typology which can be used for evaluating IJVs in developing countries. The typology uses JV partner status and JV content to identify four types of IJV and four patterns of IJV development. It argues that the success of an IJV depends on two factors: long-term oriented motivation and fair operational relationships reflecting JV partner status. Three Sino-British cases studied by Hamill et al (1996) examined the problems encountered when planning, negotiating and managing Sino-Foreign partnerships. They noted that the importance of understanding Chinese culture and cultivating good relationships with the authorities and Chinese partners, as well as careful venture planning and management.

Summarising previous research, Fan (1996) made four points: (1) the majority of English language studies were based on cases involving American companies; (2) there were few longitudinal studies; (3) most studies were more descriptive and normative than analytical and predictive; (4) there were also a considerable number of studies of JVs by Chinese authors written in Chinese, but these were scattered over a number of different sources, with only one formally published work, along with one published for internal reference. More studies based on cases involving non-American companies, particularly on Sino-Japanese JVs, will be reviewed later. However, most studies based on non-American companies carried out both in Japan and China were not presented in English, which has limited their impact on Western countries.

especially in the English-speaking world. In short most published studies have been like snap-shots, with limited historical and long-term connection, expressed in the language of an outside audience. Other limitations to the above research are that Western researchers may not have the essential understanding of the Chinese culture or fully appreciate its history. This results in a lack of in-depth analysis, which a better understanding would give. Add to that the difference in methods of analysis and data collection between Western and Chinese researchers, and the resulting conclusions may well differ likewise.

6. Research Studies of Japanese IJVs in China

Early studies of Japanese overseas operations raised the issue of the transferability of their management practices. Yamazaki et al (1977) discerned a distinctive Japanese approach, but argued that the difference was only transitional and that Japanese and Western-type multinationals could increasingly converge. Yoshihara (1977) formed a similar conclusion, arguing that the transferability of Japanese-style management was limited because it was designed to handle a culturally homogeneous workforce.

A separate line of research on Japanese influence in China involves IJVs. These studies can be divided into several groups: **1)** Descriptive accounts of investment activities in China (e.g., Whiting, 1989, 1992; Zhao, 1990; Chen, 1992; Lincoln, 1993; Campbell, 1994; Huang, 1994; Kojima, 1995; Imai, Katou, 1996). **2)** Japanese business strategy in China (e.g., Campbell, 1987; Gao, 1992; Taylor, 1993; Tung, 1994; Tejima, 1996; Ritchie, 1997). **3)** Comparisons between Japanese and other joint venture working in China (e.g., Grow, 1991; Imai, 1995; Dong, Buckley and Mirza, 1997). **4)** Studies of management research involved in leadership and human resources in Japanese affiliated enterprises (e.g., Wang and Satow, 1994; Fukuda, 1995), or Japanese technology and management methods transfer (e.g., Harris, 1991; Grow, 1991; Taylor, 1994; Chan, 1995) and so on. **5)** Management case studies carried out in Japanese affiliated enterprises in China (e.g., Grub and Lin, 1991; Ling, 1994; Seki, 1994; Hanaoka, et al, 1996). **6)** Literature about how Japanese models may be applied to Chinese economic reform in terms of enterprise reform (e.g., Taylor, 1994; Chan, 1995; Ritchie, 1997). A number of books and edited volumes on Japanese business in China have been published, including Whiting, (1989), Taylor

(1996), Lang (1998). The main body of published studies of Japanese ventures in China is listed in Table 3-2 below.

Table 3-2: Classification of the main studies of Japanese JVs in China

Author and Publication date	Research Method	Sample size	Heading	Partner nationality
Campbell (1987)	Questionnaire	115	Business strategy	Japan,US,EC
Grow (1991)	Interview	325	Technology transfer	Japan, US
Grub & Lin (1991)	Case study	3	Motives & Partner selection	Japan, US
Chen (1992)	Questionnaire	100	Motives	Japan
Zhang (1993)	Questionnaire	10,000	Motives & Environment	Japan
Abo (1994)	Case study	2	Control & conflict	Japan
Inagaki (1994, in Japanese)	Data base	3800	Performance	Japan, US
Kobayashi (1994)	Case study	1	Motives	Japan
Seki (1994)	Case study	5	JV strategy	Japan
Sonoda (1994)	Interview	35	Control & conflict	Japan
Masuda (1994)	Case study	2	Motives & Performance	Japan, HK, Taiwan, US
Wang & Satow (1994)	Questionnaire	37	Control & conflict	Japan
Wang & Satow (1994)	Case study	10	Performance	Japan
Fukuda (1995)	Case study	3	Performance	Japan
Ling (1995, in Japanese)	Case study	37	Control & conflict	Japan
Hanaoka, Ito, Ishizaki, Tsuji, Hatanaka (1996, in Japanese)	Case study	8	Performance	Japan
Taylor (1996)	Case study	5	Control & conflict	Japan
Wan (1996, in Chinese)	Interview	260	Environment	Japan, Germany
Wang (1996, in Chinese)	Case study	5	Performance	Japan
Li (1997, in Chinese)	Questionnaire	210	Control & conflict	Japan
Pan (1997)	Data base	1026	Motives	Japan, US
Lang (1998)	Case study	3	Control & conflict	Japan
Taylor(1999)	Case study	3	Control & conflict	Japan
JETRO (2000)	Questionnaire		Performance	Japan

Note: theme categories are approximation only.

Further research will be divided into five predetermined sections as follows: (1) Motives; (2) Partner selection; (3) Control and conflict; (4) Performance, and (5) Environment.

6.1. Motives

One may ask: how, when, and why do firms look abroad for business opportunities, and how do they make these decision? Studies have discussed selected motives of Japanese ventures in

China, such as Chen (1992), Grub and Lin (1991), Masuda (1994), Zhang (1993) and Kobayashi (1994). Through analysis of 100 JAE's, Chen has summarised eight points describing the key motivating factors of Japanese ventures in China, including: (1) China's potential market; (2) invitations from Chinese enterprises or authorities; (3) inexpensive Chinese labour; (4) enhancing the image of the enterprise; (5) abundant cheap material in China; (6) policies adopted by Chinese authorities to protect foreign-funded enterprises favouring local production; (7) imitation: following suit when other firms do; and (8) favourable concessionaire taxation rates. Chen also pointed out the following major motives for China in seeking / accepting the Japanese: (1) access to Japanese technology; (2) access to Japanese capital; (3) meeting the needs of the domestic market; (4) making use of Japanese export channels; (5) helping re-export products to Japan; and (6) access to components from Japan. In Grub and Lin's (1991) case, the Japanese investment motive was to gain a foothold in the Chinese market.

However, Zhang (1993) indicated that a survey of 10,000 Japanese companies contacted by the Japan-China Association on Economy and Trade in 1990 reported that the single biggest motivating factor was low labour costs. In short companies considered that Chinese labour was "abundant, cheap and relatively good in quality". However, Zhang and Yuan (1997) identified high investment returns as a key direct motivation. Kobayashi (1994) noted three points why Kanebo favoured the JV approach. Otherwise many studies have found that the Japanese partner specifically focused on the marketing, low labour costs and rich natural resources. By comparison the Chinese partner focused on Japan's technology, capital and management know-how. Chen's study distilled the views of many other studies, but we still need to test the conclusion that the invitation from Chinese enterprises or authorities is so important. It is also necessary to discover whether access to China's market or low labour costs is quite so important for Japanese firms, and whether technology or capital is relatively more important for Chinese firms.

6.2. Partner selection

Grub and Lin (1991) found that the Japanese did not make a firm decision on venture format until after the choice of partners was finalised. They had several advantages in dealing with the

Xiyuan Hotel and the Bank of China. Its experienced personnel were expected to be useful. The Bank of China also helped resolve deadlocks, while the existence of two Chinese partners could reduce direct conflict with the Japanese. Both Chinese partners had strong ties with the Beijing municipal government, which could smooth the way for the project. The choice of the Chinese partner was based on their international business experience and relationship with the government. The reason for Kanebo, a Japanese textile firm, choosing a particular Chinese partner was partly historical. Kobayashi (1994) noted that the partner in the venture was Kanebo's old Shanghai Cotton Fabric Factory. Lu and Wang (1996) pointed out that choice of a good partner was vital to later JV success along with economic and technological factors, and good relationships with state authorities. Moreover, three other points were important: (1) the material needs of each partner; (2) full commitment by both to the JV; (3) enough trust to enable the main operations to be controlled by one side where appropriate. Masuda (1994) concluded that preferred partners provide capital, assist in dealing with original government formalities, and otherwise sustain the organization. Partner mis-selection, on the other hand, can prove very costly, and difficult to rectify, as can outbreaks of mistrust between respective partners later.

How can one side gain enough trust to allow the other to exert such control over operations? Perhaps there are some that are trustful enough to have complete belief in the other partner, but how representative are they? It is evident now that investors may increasingly choose wholly foreign-owned formats in China due to the lack of trust, but what causes this lack of trust in the first place?

6.3. Control and Conflict

The Grub and Lin (1991) study noted that the Chinese partners initially demanded that there be four Chinese and three Japanese directors in order to secure control, but both sides finally settled on four directors each. The first President was a Japanese for the five years followed by a Chinese for five years. The reverse applied to the Vice-President. In another case, they noted that management decisions were generally made at a weekly management meeting attended by the top departmental managers. Prior notification was given regarding matters to be discussed, and minutes kept so that decisions reached could not be reversed at will. Hanaoka et al (1996)

described the control system in another case where personnel and finance decisions were increasingly transferred to lower level management. Satow and Wang (1994) gave an example where the venture had developed a Japanese type of managerial responsibility system, the head of the management department had full authority to manage the unit, Japanese nationals managed technical management and quality control, and their Chinese counterparts personnel and production management. Taylor (1999) pointed out that while production appeared highly "Japanized", personnel management was not.

The above studies illuminate the role of control in the management decision making process, but there is need to pursue this further. For example, they cannot explain how such differences first arose or which Japanese nationals managed technical and quality control when Chinese managed personnel and production, and what further effects such limited localization might have in future.

Grub and Lin (1991) observed differences and conflicts between the Japanese and Chinese. They noted that the Chinese side (a hotel) was less enthusiastic about a local government project, and concerned about competition from a new JV similar to their own, while hotel workers were treated differently from others. Japanese managers observed a tendency to avoid responsibility, and an inability to distinguish between private and public workplace prerogatives, and limited company loyalty. Fukuda (1995) indicated that one case study company's confrontational approach to conflict resolution was not typical of Japanese practice however. He offered two examples, one in 1992, a labour strike against Japanese-run factories, which spread rapidly in Shenzhen, and lasted several weeks. At Miyakawa, industrial action lasted only three hours, when the management unilaterally decided to dismiss immediately anyone who refused to work. All but three returned, and they received heavy penalties, including half of the monthly bonus awarded for a perfect attendance record. There was also evidence of an attempt to introduce a more group-oriented ideology to its factory in China. For example, production targets were not clearly spelled out for each individual worker. Instead, a select group of workers was simply informed. If the group failed to meet the target set, all its members were required to stay on the job after normal working hours with no extra pay. Fukuda argued that there are two major prior questions to be raised in determining the transferability of Japanese-style HRM overseas:

whether a company wants to transfer its home country practices, and whether it actually can transfer them.

Chen (1992) pointed out that certain Chinese joint venture partners have questioned whether China either sets up JVs to use Japanese capital or else allows Japanese firms to better use Chinese resources. Zhang (1993) cited that a 1990 survey by a national investment organisation, where 36% of respondents had a negative impression of Chinese managers. For example, Chinese managers "do not fully understand the Japanese side", "the personnel the Chinese select are unsatisfactory", "the Chinese managers stubbornly adhere to their own positions and do not show an understanding attitude" and "mutual communication is deteriorating". Yang (1997) indicated that intercultural conflicts were first reflected in differing values regarding personality orientation, marketability, and organizational structure.

6.4. Performance

Satow and Wang (1994) analysed 10 JAEs in China. They identified successful outcomes in three aspects: advanced technology, after-sales service, and co-operation between the two partners, especially management. They also indicated that the performance of employees was evaluated using both quality and quantity criteria, with 50% based on group outcomes, and another 50% on individual performance. Wang and Satow (1994) emphasised seven components to organisational performance: (1) market share; (2) profitability; (3) competitiveness; (4) task accomplishment; (5) turnover; (6) job satisfaction of staff; (7) scale of investment. They found that JV relationships had an important influence on organisational performance. The results demonstrated significant differences between partnering companies with respect to performance indicators such as market share, profitability, task accomplishment, and overall job satisfaction. According to JETRO (2000), profitability for Japanese companies in China was around 60% but 20% solely relied on exporting, and companies were more intent upon expansion. Beamish's (1988) definition of JV performance depends upon mutual agreement between the partners regarding their overall satisfaction. Using the above definition of JV performance as a guide to the cases reviewed, it appears that the methods by which performance is assessed are all limited in some way. In some cases, only the overall satisfaction of one partner was attained, in others

only aspects of it, leaving problems as to how it should be assessed. Kobayashi considers that Chinese and Japanese possess different standards to which they measure the level of performance, and Beamish indicated that in some cases only one partner felt overall satisfaction, another only aspects, with still many problems to overcome.

6.5. Investment Environment

The Sino-Japanese Investment Promotional Organisation appraisal of the business environment as seen by Japanese businessmen, as quoted by Zhu (1996), found 97 companies considered this was improving (including the areas of inflation, domestic markets, laws and regulations). However, 201 firms indicated that changes were for the worse, not better. The main reported problems were inflation, laws and regulations. Japanese views on investment environment listed by Zhang (1997) included: (1) unexpected changes in government policy; (2) product exports (the Japanese prefer most of their products to be sold on the Chinese market, but Chinese prefer them exported) and exchange balance; (3) imbalance between state and JV enterprise (the Japanese feel that if Chinese government cancels some advantageous policies, they should also cancel some limitations on JV enterprises); (4) procedures for establishing JVs were improved but yet many problems remained unsolved. Wong, Maher, Jenner, Appell and Hebert (1999) identified problems concerning: the cost of hiring expatriates; the expense of provision of full benefits to local workers; low educational level of workers; lack of hands-on experience with machinery, lack of conscientiousness over equipment maintenance; and "Guanxi" among the Chinese which foreign partners are obliged to respect regarding good bureaucratic relations.

What do Chinese partners themselves think about those problems? Which particular conflicts are faced by both Chinese and foreigners, in this case, the Japanese, in regard to the investment environment? That environment is considered to have two distinctive features. One concerns "hard" factors such as infrastructure, transport, communication and so on; "soft" factors are relevant policies, laws, regulations and so on. In some respects it is the soft factors which appear most problematic (i.e. government policies, laws and regulations), but both merit further consideration.

7. Further Questions Posed

In terms of the overall model outlined before the main questions for this further research appear thus:

7.1. Motives

Previous research specifically highlighted how highly the Japanese ranked market entry, low labour cost, and resource related factors, but their relative importance (and that of others), may yet change, as may corresponding Chinese preferences concerning Japanese technology, capital, and management know-how. Both the Eclectic and Transaction Cost approaches predict respective preferences, but other factors particular to Sino-Japanese relationships – including their differing economic development levels and respective state policies – may change their overall balance. The three main questions are therefore:

Q1: Is the expected importance of market entry, labour, and material factors to the Japanese, and technology, capital, and management know-how to the Chinese, still justified in terms of these further findings, and how are respective preferences ordered?

Q2: Are the distinguishing motives of the Japanese and Chinese in any way consistent with their different national development levels?

Q3: Do these distinguishing motives themselves create any particular scope for further differences and conflict, and why?

7.2. Partner selection

Previous research highlighted multiple reasons behind particular partner selections, but some especially emphasized the importance of good relationships, not least with Chinese state bodies, as a means of reducing potential transaction costs. The questions are thus:

Q4: What particular economic, technological, cultural-historic, and related factors directly influence Sino-Japanese partner selection processes?

Q5: To what extent is good relationship building found more/equally/less important in the partner selection process?

7.3. Control and conflict

Previous research considered that higher performing ventures are specifically controlled in ways that better manage actual/potential conflict situations of the type that readily disturb Sino-Japanese relationships at large. Certain Chinese are so sensitive towards this that they will refer to conflict "situation analysis" in terms of methodical control systems/mechanisms, conflict background analysis, conflict deep reason analysis, and so on. Other research like Grub and Lin (1991), Satow and Wang (1994), Fukuda (1995), and Hanaoka et al (1996) has observed how the partial transfer of control over particular enterprise activities to only one venture partner soon raises questions about any power imbalances, which might then result. In principle, they exert most potential control, but that may then create further scope for conflict later. The main questions are therefore:

Q6: What is the prevailing balance of control between respective partners, and how do particular issues of trust/mistrust arise?

Q7: Does control vary across such different forms of ownership as WJVs and CJVs?

Q8: Which conflicts in JAEs are caused by economic, political and business system differences between China and Japan?

Q9: Do Confucian type values/characteristics exert any particular influence over conflict management in JAEs generally?

7.4. Performance

Previous research profiles this in terms of profitability, turnover, competitiveness, and overall management satisfaction, albeit using a variety of different measures and indices. Wang and Satow (1994) likewise emphasize market share, profitability, competitiveness, task accomplishment, turnover, staff job satisfaction, and future investment plans and predictions. Their respective distribution over different partners also deserves further consideration in this respect. The further questions are therefore:

Q10: What proportion of ventures are actually/potentially profitable and growing, compared with others that are not?

Q11: What are the overall management satisfaction levels with ventures thus far, and what particular factors constrain satisfaction?

Q12: To what extent was the venture sampled considered likely to survive and/or expand and grow further in future?

7.5. Investment Environment

Previous research considered higher performing IJVs in general highly adaptive in this respect, but more specifically China related research suggested that the quality of this environment might well pose problems for certain Japanese partners. The question is therefore

Q13: What is the relative importance of "hard" and "soft" investment environment factors to respective venture partners, and how, if at all, are they considered to effect overall performance?

8. Summary

A hybrid theoretical model has been expressly developed for further research using defined variables that specifically focus upon: 1) motives, 2) partner selection, 3) control and conflict, 4) performance, 5) "hard" and "soft" investment environment factors. Thirteen questions for further investigation were then derived based upon the exploratory research methodology now described.

Chapter Four

Research Design and Methodology

1. Introduction

This chapter considers the aims, design, and methodology for further research into the questions previously outlined. It classifies the particular approach adopted, after considering standard research design, and how it was variously customized to a Sino-Japanese field situation, very different from others elsewhere.

2. Research Aims

In order to understand why conflicting interests arise, and why the perspectives of Chinese & Japanese differ in regard to general management practices, thirteen leading questions translate into the following specific research aims:

- to investigate respective motives for forming JAEs;
- to identify those factors which most shaped partner selection from respective perspectives;
- to discover what pattern of possible control and conflict could then possibly result;
- to identify the major factors then affecting JAEs own perceived performance;
- to understand how JAEs perceived their external investment environment.

Given JAEs are far from homogeneous, and variously distributed across China, there were important resource constrants upon their further investigation. For that reason, this research is limited to manufacturing sector locations in Beijing, Tianjin, Shanghai, Dalian, and Chengdu, as will be explained.

3. Research Classifications

Phillips & Pugh (1992) proposed the standard classification of exploratory (i.e. forging new ground), testing-out (i.e. assessing and developing established theory) and problem solving (seeking particular answers to specified problems) type research. Others differentiate quantitative and qualitative methods likewise (Bryman 1988, Miles, 1984, Strauss, 1987, Morse, 1994. Richards 1994). For the purposes of this research, a combination of different methods appeared appropriate however, following Kirby (1992) thus:

> "It is not a case of using one technique or set of techniques in preference to another. Rather projects should be perceived as multi–staged, frequently involving, within one project, the use of both qualitative and quantitative approaches. Whichever approach is adopted, it is essential to ensure that the technique is applied rigorously, correctly and appropriately."

As an expressly exploratory research study, the particular sequential combination of methods used involved preliminary contextual research to substantiate these further, and then qualitative research to highlight how such issues occurred within particular JAE themselves. This particular combination was chosen in recognition that, for some time, China has been like an "enormous real-life management experiment" which obliges researchers to try to capture ongoing changes in the field, rather than in a laboratory type, controlled situation (Shenkar, 1994).

4. Standard Research Design

Few Western research methods texts were ever evolved with China in mind. They nevertheless detail issues about research design which can be considered standard considerations which international management research of this type then adapts accordingly.

Zikmund (1984) emphasized differing considerations about the choice of research design and method. One standard classification for these purposes distinguishes experimental, survey, qualitative, case study, and action research approaches (Bryman, 1989), whereas others base

their classifications upon fieldwork, survey research, experimentation, and non-reactive research instead (Brewer and Hunter, 1989). Whatever the particular classification employed, the actual choice made should relate to the purpose of the research, in particular whether it is intended to be exploratory or explanatory. To the extent that it is exploratory, this research should promote original Chinese, Japanese, and Western mutual understanding of JAEs in China. If it were explanatory, it would instead fill the gaps created by a "lack of previously developed knowledge" in this respect instead. Language difficulties alone mean that most Western researchers cannot necessarily fully access available materials about JAEs, while Shenkar and others note that these researchers cannot directly participate in the field in China as they can in the West, and even non-participant observation encounters problems over "face", quanxi, and the interpretation of Chinese sentiments and emotional expression generally. It was therefore through a particular combination of survey and case study research that this research intended overcoming some of these invisible barriers to the mutual understanding of JAEs in action, on a significant scale, in a range of different Chinese locations and field situations themselves. Having previously recognized their wider historical, political, and cultural context, this research will now focus upon micro-level studies of JAEs themselves, either as a group where survey research data are concerned, or as individual case studies themselves.

5. International Management Research

This can therefore be defined as exploratory study which, by combining different research methods, aims to increase mutual understanding of JAEs in action, in a way of particular interest to international management researchers. Since international management research is itself relatively new, and still building its own knowledge base, it may still require more exploratory research investigations like this (Redding, 1994). Although a number of studies of JAEs in China were detailed before, it can be argued that these studies should now be linked closer together, and then extended further forward into post-entry development and performance evaluation phases as well. International management researchers could then compare these with other international joint ventures elsewhere, for which reason some element of standard research design and methodology would appear necessary.

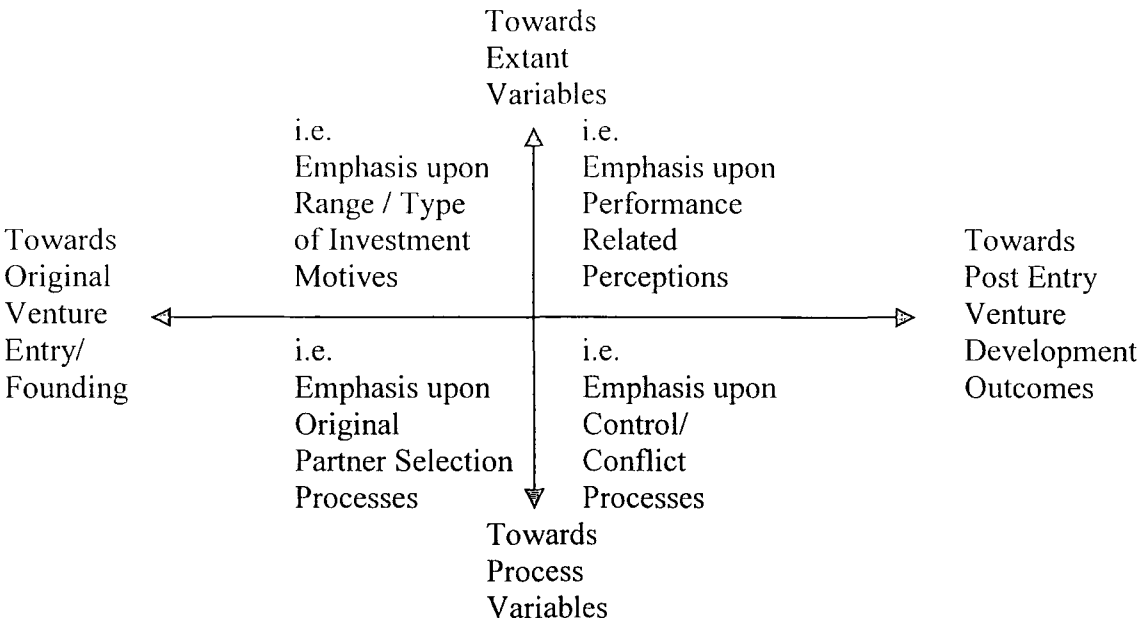
The scope for such standardization nevertheless remains limited by the difficulty inherent in applying basically Western management constructs in an Eastern field setting which requires researchers to appreciate both Chinese and Japanese perspectives however. Researchers are advised stay alert to how these particular perspectives might differ (Iriye 1980:3):

> "Being geographically so close and yet psychologically quite remote despite their common cultural roots, the two peoples have developed a sense of commonality and disparity, interdependence and autonomy, mutual respect and suspicion, attraction and repulsion, and admiration and condescension toward one another. They have talked of their shared heritage and their identity as Asians, but they have not hesitated to seek outside assistance to fight against one another ... There are China specialists and Japan specialists, but few, if any, China-and Japan specialists."

Although these differences could well influence how JAEs in China actually work, it is nevertheless essential that, to remain impartial, researchers bridge any Sino-Japanese divide, as any truly joint venture might itself have to do. To some extent any further research should therefore sample both "extant" (that is, more tangibly measured and/or reported) and "process" (that is, relationship based) variables together. It would then extend beyond existing investment led, business entry mode type studies primarily concerned with economic inputs and outputs, and would therefore include intervening organizational and management variables as well. As a Chinese who had also studied in Japan, this researcher was particularly alert towards native perspectives upon these latter variables, but aware of the difficulty of appearing too partisan, and the need to maintain an independent (neither pro Chinese nor Japanese) stance towards any resulting findings.

In sum, the design of this study aims to achieve a related balance between the following four different forces in related international management research thus:

Figure 4-1 General Research Directions



So, while there are studies about international joint venture entry modes, and associated founding characteristics, the maturation of such ventures later raises other performance type issues as well. Similarly, while many studies emphasize "extant" variables which are more easily classified, counted, and reported, others could place increasing emphasis upon how organizational and management relationships of a less tangible nature develop as well. In the case of JAEs, an existing emphasis upon entry mode/ founding characteristics needs to be balanced with clearer understanding about how well (or otherwise) they perform later, and what factors constrain their performance, including their Chinese external investment environment. Equally, the existing emphasis upon how respective partners first select each other needs to be balanced with clearer understanding about how any resulting relationship subsequently matures, and what problems of control and conflict such maturity later gives rise to, which may not have been expected when ventures were first founded, and pilot operations first began. For further research purposes, the theoretical model outlined before, and the questionnaire intended to operationalize it, both strike a balance between the four different forces Figure 4-1 outlines. They therefore encompass all four quadrants thus identified, with their respective emphases upon founding motives, partner selection, control, conflict, performance, and external investment environment. In addition, this has further implications for both selection and data collections methods, which should ideally

encompass both recently founded and mature JAEs, along with both incoming and experienced managerial respondents therein, who might together supply both "extant" and process related data for these purposes, given that suitable questions are posed.

6. Sino-Japanese Research Issues

By its very nature international management studies may take standard research into what are rapidly evolving field situations in their own right. At this stage in their development such studies should nevertheless seek some balance between the four different forces identified before, because it is a relatively new management discipline studying rising international developments at large (Redding, op cit). Sino-Japanese trade may have long historical roots, but more recent business investment developments suggest it has reached an important breakpoint, which could itself bring fresh strategic considerations to bear (Ritchie, op cit)

As Chapter Two before made clear, Sino-Japanese ventures are variously distributed across China, and can only be selectively sampled at any one point in time. A first basis for that selection is therefore their very location itself, not least because their spatial distribution may reflect differing overall strategic priorities. For these purposes JAEs in sites in Beijing, Shanghai, Tianjin, Dalian and Chengdu were selected. As well as having long term relationships with Japan these were all areas where JAEs were most highly clustered. In addition, such areas display differing features of China itself, so that the capital Beijing is most politically and culturally conscious; Shanghai, Tianjin, and Dalian all have particular long term relationships with Japan; while Chengdu in the interior is nominally less "open", and likely to be considered more exclusively Chinese in cultural terms at least.

Other methodological considerations exert some bearing upon further research here. All international management research presently faces the problem of developing measuring instruments, which have similar meaning even across different national cultures. Although surveys and interviews are elsewhere considered relatively standard methods they do not necessarily fit all cultural situations equally well. For example, while some freely pursue telephone based methods elsewhere, certain developing countries not only lack the technology,

but actively resist the faceless interaction this implies, particularly when raising sensitive questions. Indeed, any questioning of authority in general, and also the government, or associated political affiliations, can be either offensive or embarrassing under certain cultures, and induce other fears and anxieties accordingly (Harpaz, 1996). Even interviews can present difficulties for Chinese and Japanese respondents who may appear courteous when simply giving replies according to what they believe their interviewer wants and expects (Drenth and Groendijk, 1984). A "reticent-loquacious" bias further arises where cultures place different value upon being quiet and reserved, compared with appearing more outgoing, and enjoying open talk instead. Brislin, Lonner and Thorndike (1973) further identified potential individual versus group bias problems, especially among those cultures which place little value upon purely individual responses, as a result of which these may appear very different from overall group responses instead. Indeed, to be labelled "individual" has sometimes meant being criticized and deplored by others in China, in comparison to the West outside.

For the purposes of this research, a combination of mail questionnaires, face-to-face and telephone interviews was selected for providing the best access to a good range of well-placed managers and officials, and enabling suitable comparisons to be drawn. A particular advantage of the questionnaire instrument, once suitably translated, was achieving the standardization required for such comparisons, in terms of pre-existing categories, which the case studies could complement with more qualitative insights. While official documents and state statistics also provided useful secondary data for these purposes their use was subject to important limitations. Long term Chinese traditions, and the problems arising from its transitional economy status, mean that the availability of valid statistics still poses important problems. Thus Shenkar (1994), Teagarden and Von Glinow (1988), and Clarke (1988), for example all found such data sources both variable and inconsistent, the whole nature of national statistical accounting and reporting having been relatively underdeveloped before, and subject to some deliberate manipulation as well. No one uniform agreed definition and calculation of FDI thus prevails, and even the value of any equity can itself vary across different sources. However, differing datasets and bases of calculation can also produce variations among Japanese sources as well, while the particular value placed upon technology and "capability transfer" also complicates investment data

(Matsuoka and Rose, 1994). So far as was possible both Chinese and Japanese official statistical sources were therefore used for this research.

7. Identifying the Survey Population

Table 4-1 is taken from the Japanese source "***List of Foreign Enterprises in China, 1994 Edition***", between 1987-1993 when there were an estimated 2452 Japanese and 1314 US affiliated enterprises in China. Beijing, Shanghai and Tianjin sites accounted for 32.04 % of all JAEs, Liaoning 28.95 %, mostly in Dalian, in East Liaoning. Since 1984, Dalian has been a Coastal Open City, and up to the end of 1994, there were 4187 foreign investment projects. Before 1993 much of its foreign investment was Japanese, but from 1993 Hong Kong property and service investment suddenly increased, making Hong Kong sources the leader in money value terms, although the origins of those sources may be subject to further questions.

Table 4-1: Foreign Enterprises in China

Region	Area	JAPAN		U S A	
		Project	%	Project	%
Municipality directly under the central government	Beijing	257	10.60%	148	11.01%
	Shanghai	404	16.66%	172	12.80%
	Tianjin	116	4.78%	61	4.54%
	Total	**777**	**32.04%**	**381**	**28.35%**
Coastal areas	Hebei	26	1.07%	37	2.75%
	Liaoning	**702**	**28.95%**	130	9.67%
	Jiangsu	158	6.52%	114	8.48%
	Zhejiang	54	2.23%	31	2.31%
	Fujian	73	3.01%	34	2.53%
	Shandong	83	3.42%	71	5.28%
	Guangdong	306	12.62%	349	25.97%
	Guangxi	5	0.21%	6	0.45%
	Hainan	16	0.66%	7	0.52%
	Total	**1423**	**58.68%**	**779**	**57.96%**
	Shanxi	6	0.25%	7	0.52%

Inland	Nei Mongol	6	0.25%	3	0.22%
	Jilin	53	2.19%	10	0.74%
	Heilongjiang	69	2.85%	16	1.19%
	Anhui	4	0.16%	15	1.12%
	Jiangxi	5	0.21%	8	0.60%
	Henan	11	0.45%	14	1.04%
	Hubei	11	0.45%	15	1.12%
	Hunan	6	0.25%	12	0.89%
	Sichuan	19	0.78%	25	1.86%
	Guizhou	2	0.08%	2	0.15%
	Yunnan	4	0.16%	5	0.37%
	Xizang	1	0.04%	1	0.07%
	Shaanxi	18	0.74%	12	0.89%
	Gansu	2	0.08%	2	0.15%
	Qinghai	---	---	1	0.07%
	Ninxia	---	---	2	0.15%
	Xinjiang	8	0.33%	4	0.30%
	Total	**225**	**9.28%**	**154**	**11.46%**
	TOTAL	**2425**	**100.00%**	**13344**	**100.00%**

Source: *List of Foreign Funded Enterprises in China, 1994 Edition*, Sousousha Press, Tokyo, Japan.

One Chinese source, "*A Compilation of Foreign Affiliated Enterprises in China*", (Jinghua Press, Beijing, 1994), listed details of over 30,000 FAEs across China (the total of listed FAEs in China was approximately 320,000 at the end of 1998). However, most JAEs were concentrated in Shanghai, Beijing, Dalian and Tianjin. There were 3,163 FAEs in those four cities, of which 2,251 were manufacturers, from which the researcher selected 300 JAEs. Of the questionnaires then distributed, 11 were not delivered because of address errors, and only 3 responses were unusable. The researcher received 81 completed responses, a response rate of approximately 27%. For in-depth cases the researcher chose five JAEs in Beijing, Tianjin and Chengdu. This choice was based on the assumption that Beijing and Tianjin are the most open cities in China and most receptive to outsiders, while Chengdu is an interior city in the Southwest of China which is likely to be more conservative. The individual companies used as Case Studies were short-listed upon recommendation of local authorities and approached accordingly.

8. Sampling Processes

The purpose of such sampling is to economize the time and funding that would be required if the entire population was studied, but yet still produce a meaningful representative study. It is important to draw a clear difference between the entire and sample unit population. The focus will be restricted to the selection of units for interview or self-administered questionnaire survey in the following discussion. Burton and Cherry (1970) argued there were no "correct" or "best" methods of sampling per se, and then differentiated the simple random sample, stratified random sample, multi-stage cluster sample, convenience sample, and purposive sample. Zikmund (1984) defined two major sampling methods as non-probability and probability according to the degree of randomness. The probability sampling method seeks a representative sample, and the samples most frequently used are termed simple random, systematic, stratified and cluster sampling. Non-probability sampling includes convenience, quota, snowball and purposive sampling. Non-probability sampling is convenient, but makes it difficult to measure the sampling error, while with probability techniques sampling error can be more accurately assessed. This research uses purposive sampling (a broad-based convenience sample), which belongs to the non-probability sampling category.

9. Questionnaire Design

Questionnaire design is a critical stage in the survey research process. Bryman (1989) suggested that questions, should be clear, unambiguous, simple and short, avoiding double meanings, and leading questions generally.

Shenkar (1994) identified problems applying questionnaire used in the West for non-western societies, particularly in China. He maintained that:

> "First, most Western instruments do not measure the constraints within which Chinese employees operate... Second, Western questionnaires are not easily translated into Chinese... Third, the meaning attached to a question may also vary

from one culture to another... Fourth, Chinese are not accustomed to completing a detailed questionnaire in a multiple-choice format."

Even though Shenkar observed the above disadvantages of a multiple-choice style questionnaire, the benefits may sufficiently out-weigh the objections. Firstly questions can be answered with minimum interruption to respondents' ongoing schedule, allowing the respondent to time their response. In terms of time, it is therefore an efficient method; more questions can be answered in similar time, thus ultimately giving more data. It also allows the researcher to standardise all responses to provide a basis for comparison and cross-reference. In this case, the researcher conducted a pilot study prior to developing the questionnaire, which showed that respondents were not averse to completing a questionnaire in multiple-choice format. The Japanese respondents who completed the questionnaire could have been more accustomed to this multiple-choice format. While Shenkar commented on the Chinese in general, those who responded to this questionnaire were located in regions with the highest exposure to such Western customs as specific questions in multiple-choice format, making them atypical of the general Chinese population. In addition, working in a JV enterprise often implies becoming more open to foreign customs, and being more flexible in absorbing and adapting to them; those who had undergone training in Japan could well have more familiarization in this respect.

There are three main stages in questionnaire design indicated by Alreck and Settle (1985): concerned coverage, the communication instrument, and the layout and presentation. As regards the type of data being sought, this questionnaire is based on research questions, divided into six sections:

1. General background information concerning the JV and parent enterprises under study and the respondents involved.
2. Investment motives applicable to each enterprise, including attitudes towards both Japanese and Chinese parties. These are linked with questions Q1 to Q3.
3. Partner selection in each enterprise, including mutual contacts and investigation. Questions 4 and 5 are connected to this.

4. Control and conflict as applied to each enterprise. This includes decision making, key management positions, and mutual co-operation, questions 6 to 9 are connected to this.
5. Performance in each enterprise, including operational practice, production growth, and satisfaction. Questions 10 to 12 are connected to this.
6. Investment environment for each enterprise. This includes problems and limitations arising from the overall Chinese field situation. Question 13 is connected with this.

The second stage concerned the questionnaire as an instrument in terms of selecting the relevant sample, and posing relevant questions. Closed questions (plus a few open questions) and multiple choice questions were used because better educated managerial respondents occupied with day-to-day operations were considered likely to find these types of question easier to answer. The last stage in questionnaire design concerned layout and presentation, where general background questions come first, operational process questions in the middle, with problem related questions at the end.

10. Semi-structured Interview Design

A semi-structured interview approach was adopted and used in the case study. Corey (1990) explained different types of interview. A structured interview follows a predetermined set of questions. Tightly structured interviews come close to becoming questionnaire surveys administered in person. They may be useful if the interviewer has a clear sense of precisely what the issues are and what data are needed beforehand. The narrower the issue, and the more sharply focused the data search, the more useful structured interviews can become. Unstructured, that is, non-directive interviews, allow for flexibility in discussion, relying on the interviewee to volunteer relevant data, with broad guidance from the interviewer. The semi-structured interview approach appeared the most suitable means of allowing the researcher to gain insight into the other person's perspectives, given that his Chinese background would enable him to grasp more of what respondents' meant in their own cultural terms. This conforms with Lincoln and Guba (1985) in that the choice of a structured or unstructured interview approach firstly depends on whether the researcher already knows what he/she is looking for, before entering the field situation itself.

Wragg (1984) points out that, if the area under investigation requires profound deliberation, and the questions are deeply thought provoking, a semi-structured interview can be the best choice, since it allows respondents to express themselves at some length, but offers enough structure to channel this appropriately. As Shenkar indicated, many Chinese tend to reserve the most important points to the end, rather than the beginning of a conversation. This researcher's experience suggest that the semi-structured interview approach can allow managers to tell their stories in their own terms and help achieve closer proximity to the actual terms they themselves use, through which they experience this world, and give it meaning. At the same time the approach allowed the researcher to exercise some control over how interviewee's perspectives and experience were later expressed.

This research uses four JAEs from Beijing, Tianjin and Chengdu as "case studies" based on face to face semi-structured interviews. This choice followed the parameters of case study research outlined by Bryman (1988):

1) First, classic studies often take the site, such as an organisation or a department within an organisation, as constituting 'the case'.
2) Second, 'case study' seems to imply the study of one case, but can focus upon more.
3) Third, case studies can and do exhibit mixed methods of data collection.
4) Fourth, case studies usually comprise a number of emphases, which help distinguish them from purely quantitative research in particular.

In selecting the interview questions, special consideration was given to whether they should be in the form of a general interview guide or a set of issues to be explored with each respondent, serving as a checklist to ensure that all relevant topics were covered. The interview guide consisted of a set of carefully worded questions which were intended to be taken through the interview in order to reduce the possibility of different responses resulting in diverging interpretations. The following items were given priority:

1) Motivation and background of investment
2) Prior survey and feasibility studies
3) Reasons for choosing partners and negotiation history
4) Main points of co-operation (including: composition of the board of directors; management structure; profit sharing; duration of the co-operation; other stipulations)
5) Production and marketing
6) Funds procurement
7) Labour and training
8) Operation, decision and performance
9) Relationships with local government
10) Conflicts arising from cultural and organisational differences
11) Prospects for the future.

11. The Pilot Studies

Gill and Johnson (1991) outline the importance of such studies thus:

> "In essence, pilot research is a trial run-through to test a research design with a subsumable of respondents who have characteristics similar to those identifiable in the main sample to be surveyed. Piloting is necessary, as it is very difficult to predict how respondents will interpret and react to the questions. Conducting a pilot before the main survey allows any potential problems in the pro forma of the questionnaire to be identified and corrected."

Good pilot studies are essential for the successful questionnaires. Burton and Cherry (1970) explained that in the first stages, they were likely to be exploratory, consisting of unstructured interviews and talks. The value of pilot studies lies in helping to devise the best actual wording of questions, designing the introductory letter and finding methods of reducing levels of non-response. According to Erdos and Morgon (1970), it is necessary to check the mailing list, percentage returned, decide upon follow-up effort, correct potential areas of bias, ensure questions are properly understood, and so on.

The pilot study should investigate both the feasibility of collecting the data, and effectiveness of the methods for doing so, in this instance covering both the questionnaire and case studies.

To carry out these checking functions, two pilot studies were conducted before the main fieldwork began. One was between August and September 1993, when the researcher visited departments of central government and key enterprises in Beijing and Chengdu, to collect basic background data and establish working relationships with key actors. The trip lasted six weeks. including four weeks in Beijing, and two weeks in Chengdu, when the researcher also visited the China Ministry of Foreign Economics & Trade, China Council for the Promotion of International Trade and the China Association of Foreign Affiliated Enterprises etc. In addition, he also visited Beijing-Matsushita Colour CRT Corporation Limited, and Guangming Materials Plant of China to interview their key Chinese and Japanese managers. After outlining the objectives of the research and general administrative problems, in September 1994 the researcher visited China again, to test the revised questionnaire sent to a sample of eight managers of JAEs in Beijing and Tianjin, and two staff at Renmin University of China in Beijing, before finalising the questionnaire actually used.

12. Fieldwork

A four-month field study was undertaken in China from September 1994 to January 1995. The postal questionnaire survey and personal interview were both carried out in the same time period as the mainsheet, which was followed by a postal or telephone reminder. Use was made of two personal contacts in Beijing, an editor working for the *Marketing Daily* as head of the News Section in Beijing, and a scholar who was also Managing Director of a small Sino-Japanese joint venture company in Beijing, who also offered office space at his company.

In the first stage in Beijing, the researcher distributed the pilot samples to the eight JAEs and two scholars asking them to answer the questionnaire. After obtaining responses, the researcher collected comments, and made improvements to the questionnaire and interview questions. the formal questionnaire was printed by the *Marketing Daily* printing plant.

At the second stage, 302 questionnaires were sent to JAEs in Beijing, Shanghai, Tianjin and Dalian, while the researcher spent two weeks in Chengdu conducting personal interviews. With Japanese investment motivation and the feasibility study process in mind, the researcher visited two companies located in Chengdu, both introduced by its local government, in order to interview top managers. To gain firsthand experience the researcher also visited factories to observe managers and workers in both companies. Other secondary data collected about them included the Company Guide, the Annual Report and the Feasibility Report, all of which were made available in due course.

The third stage began in Beijing, where two companies were visited and nine top managers interviewed, including three Japanese (two Managing Directors and a Director of the factory) and six Chinese (two Deputy Directors, two Heads of General Affairs Office, an Assistant Director of the factory and a Sales Manager from the company's shop). The researcher visited these companies on eight occasions, four to the main offices; two to the factory for interviews; once on a workshop tour, observing and talking to various managers and workers; and once to the fashion shop for another tour while also observing and talking to managers and sales-people. Other documents assessed included Annual Reports, Company Guides, rules about labour and wages, and plans and reports of management skills training and marketing.

The last stage was spent between Beijing and Tianjin where the researcher received 81 valid responses following the mailshot and the postal or telephone reminders. At the same time, the researcher studied TJNEC in Tianjin, where he visited the top and middle level managers who were interviewed about the strategy of Japanese control over affiliated enterprises and their marketing. A final two weeks was spent checking all the questionnaire forms for errors and sorting out the interview data before returning to the UK.

13. Data Analysis

Generally, raw data has little practical value as it stands, and Nichols (1991) advocated four further stages of processing and analysis:

* Checking through the forms and correcting errors.
* Coding.
* Preparing data tables.
* Making sense of the data, through preparing summary measures, and using them to test ideas about the target population.

Given the small size of the current questionnaire survey, hand tabulation was used first, followed by "Excel" software to carry out in-depth analysis. The analysis of the interview data for this research employs a "progressive data analysis" (i.e. data analysis during the data collection) and "final data analysis" (i.e. data analysis after the completion of the data collection). As McCracken (1988) pointed out:

> "The objective of analysis is to determine the categories, relationships, and assumptions that inform the respondent's view of the world in general and the topic in particular."

The data analysis of this research is, therefore, a process of making sense of findings, discovering relationships in the data that elaborate upon given hypotheses and theories, and establishing their overall meaning and significance, using a constant comparative method described by Glaser and Strauss (1967).

14. Summary

The research had a series of aims and employed a sequence of different methods to achieve its objectives. Although recognising the usefulness and value of more standard – and often Western derived – research methods, these needed adapting to the unique features of a Sino-Japanese field situation. Any such field situation is difficult for "outsiders" to either access or understand in the way most native Chinese and Japanese are themselves accustomed to. In this instance the researcher enjoyed some "privileged access" with respect to his background, but still strove to maintain impartiality with respect to the different interests involved by adhering to a theoretical

model, and assessing where both parties stood with regard to certain set criteria. At this stage of its development international management research still has some methodological problems to overcome (Redding, op cit), but here it was intended that a combination of methods – contextual, questionnaire, and case study based – would suit the exploratory nature of the study, and enable further comparisons to be drawn.

Chapter Five

Findings I: A General Description

1. Introduction

The last chapter explores appropriate research methods for investigating these questions. This chapter gives general descriptions of the current questionnaire survey and case studies, including overall sample characteristics, original information on JAEs in China from the current investigation, and some research approaches in the current case studies. An in-depth analysis of the data in this investigation will be analysed, discussed and evaluated in Chapters Six, Seven, Eight and Nine.

2. Survey Sample Characteristics

The first part of this questionnaire has been designed to provide general background information about the respondents. The respondents were questioned on the following four items: position, nationality, number of years working in the enterprise and working years in this position. The researcher decided to request more general information from the respondents as an additional source, to ensure the validity and reliability of the data. Tables 1 to 2 show the results from analysing the first part of this questionnaire, which is discussed in more detail as follows.

There were 10 Japanese and 71 Chinese respondents in the questionnaire survey. Table 5-1 shows their status. "Others" included Assistant General manager (4), Secretary (5), Interpreter (3), Head of Department (7), Comptroller (1) and Staff (2). General managers and Vice General managers accounted for 68 % of the total. These results suggest that the questionnaire survey received serious attention from responding firms, which therefore encourages confidence in the reliability of responses. Table 5-2 shows the type of enterprises responding.

Table 5-1: Status of respondents

	Chinese		Japanese		C & J	
Position	**No.**	**%**	**No.**	**%**	**No.**	**%**
General manager	21	30	8	80	29	36
Vice general manager	26	37	---	---	26	32
Other	20	28	2	20	22	27
Not specified	4	6	---	---	4	5
Total	71	100	10	100	81	100

Table 5-2: Type of Enterprise

Respondent	JV	%	WJ	%	CV	%	Total	%
Chinese	55	68	10	12	6	7	71	88
Japanese	5	6	4	5	1	1	10	12
C & J	60	74	14	17	7	8	81	100

JV: Joint venture, WJ: Wholly Japanese-owned, CV: Co-operative venture

A total of 60 responses came from JV enterprises, 14 from WJ enterprises and only 7 from CV enterprises. These mirror the relative proportions of all JAEs in China in 1995, though recently WJ enterprises have been increasing (see Chapter Two for more details). Most Japanese respondents came from JV and WJ enterprises, and a large majority of Chinese respondents came from JV enterprises. 10 Chinese respondents came from WJ enterprises; their positions included two general managers, three vice general managers, three interpreters, one head of secretariat and one manager. It is very interesting to note that the two general managers were both Chairmen of the Board and General Manager at the same time. This indicates that those enterprises were under the direct control of the Chinese and that the Japanese were only in indirect control of them.

3. Original Information

The respondents were requested to offer general information about their parent companies. Eleven items were selected in this section: name, type, number of both Chinese and Japanese parents companies; numbers of other enterprises with Japanese investment; the importance of Japanese investment in China; reasons for Chinese choosing Japanese partners; how did the

parent company establish initial contact and how do the Japanese monitor and analyse the China market (see Questionnaire in Appendix I for more details).

3.1. Type of Company

Respondents were allocated to five categories of Chinese company and four types of Japanese company, as shown in Tables 5-3 and 5-4 below. The State Company with 59 % was the main Chinese parent company, followed by a Collective Company with 15 %, and a Township Company with 7 %. This appears to suggest the Japanese prefer JVs with state companies rather than other types of Chinese companies. This is because the Japanese trust state companies more than the others. They think that 1) with a state company the government brings influence to bear over any problems which may arise; 2) if there is any trouble the government will support the state company, thereby reducing the investment risk. Table 5-4 reveals that 74 % of Japanese parents are mainly manufacturing companies, and most manufacturing companies were in employment terms, often relatively small. It is surprising to find that there is only one bank among the Japanese parent company respondents here cited.

Table 5-3: Type of Chinese Parent Company

Respondent ⇒	Chinese		Japanese		C & J	
Type	**No.**	**%**	**No.**	**%**	**No.**	**%**
State company	42	59	6	60	48	59
Collective company	12	17	---	---	12	15
Township company	6	8	---	---	6	7
Other	2	3	---	---	2	2
Not known	9	13	4	40	13	16
Total	71	100	10	100	81	100

Table 5-4: Type of Japanese Parent Company

Respondent ⇒	Chinese		Japanese		C & J	
Type	**No.**	**%**	**No.**	**%**	**No.**	**%**
Trading house	23	32	5	50	28	35
Bank	1	1	---	---	1	1
Manufacturing	53	75	7	70	60	74
Other	6	8	1	10	7	9

Note: Some respondents were involved in more than one category.

3.2. Number of Parent Company Employees

In this section of the questionnaire there are five categories of employee level for Chinese and Japanese companies. Tables 5-5 and 5-6 give the details below. There are three points that need mentioning: 1) The size of the Chinese parent companies is quite large, with 37 % of the total having over 1,000 employees. 2) There were no Japanese respondents working in small-medium size companies. 3) Quite a number of responses fall into "Not known", counting for 22 %. Why is it that they do not know their companies' employment figures? Three possible reasons are: 1) where there is more than one parent company, the respondent did not know how to answer; 2) the respondent really was unaware of their parent company employment level; 3) the respondent is not willing to express a view. The characteristics of the Japanese parent companies show that 1) larger and smaller companies were very alike, occupied similar positions; together they took 63 (30 + 33) % of the total; 2) the "Not known" response was lower than in the case of Chinese parent companies, but was still a substantial 17 %.

Table 5-5: Number of Chinese Parent Company employees

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
001-250	11	15	---	---	11	14
251-500	14	20	---	---	14	17
501-1000	6	8	2	20	8	10
0ver 1000	27	38	3	30	30	37
Not known	13	18	5	50	18	22
Total	71	100	10	100	81	100

Table 5-6: Number of Japanese Parent Company employees

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
001-250	23	32	1	10	24	30
251-500	5	7	3	30	8	10
501-1000	9	13	---	---	9	11
0ver 1000	22	31	4	40	26	32
Not known	12	17	2	20	14	17
Total	71	100	10	100	81	100

3.3. Number of Japanese Parent Company investments in China

There were five categories for the Chinese and Japanese responses, and Table 5-7 below shows the results. The category of one investment in China made up 42 %, and 2 - 5 was 47 %, together amounting to 89 %. Only one Japanese company Matsushita Electric Industrial Co., Ltd had invested in over 10 different enterprises in China. Why has Matsushita invested in China by establishing so many different enterprises, and why are there not more Japanese firms like Matsushita making large investments in China? Detailed analysis will be offered in Chapter Seven.

Table 5-7: Number of Enterprises the Japanese Parent Company has Invested in

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
Only one	30	42	4	40	34	42
2 - 5	34	48	4	40	38	47
6 - 10	5	7	2	20	7	9
Over 10	1	1	---	---	1	1
Not known	1	1	---	---	1	1
Total	71	100	10	100	81	100

3.4. Connection and Links

How do the Chinese and Japanese establish initial business contacts? How do the Japanese analyse the Chinese market? The researcher designed seven channels for the first question, and nine channels for the second question, Tables 5-8 and 5-9 below show the results. 26 % of respondents chose the "embassy or trade liaison" and 17 % chose "delegation in China or Japan", as their initial contact. More, however, chose "other" (36 %) for their initial contact. What were these "other" channels? Some responses indicated "friends", "other company introductions" and so on. For the second question many respondents chose "consultants in China" (52 %) and "meeting officials & end-users" (44 %) to show that when Japanese companies monitor and analyse the Chinese market they like very much to use information gained from China. If we compare Chinese and Japanese responses, most Japanese choose "consultants in China" (80 %), which suggests that the Japanese are willing to analyse the market in China directly. This may

partly be because of their business experiences and personalities. Detailed analysis of this is offered in Chapter Nine.

Table 5-8: Initial Business Contact

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
Exhibition or technology fair	12	17	---	---	12	15
Hired consultant	3	4	1	10	4	5
Embassy or trade liaison	18	25	3	30	21	26
Chinese solicitation	6	8	2	20	8	10
Delegation in China or Japan	14	20	---	---	14	17
Other	26	37	3	30	29	36
Not known	6	8	2	20	8	10

Table 5-9: Japanese analysis of the China market

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
Consultants in Japan	15	21	3	30	18	22
Consultants in Hong Kong	4	6	2	20	6	7
Consultants in China	34	48	8	80	42	52
Japanese publications	4	6	1	10	5	6
Chinese publications	2	3	2	20	4	5
Office in China	18	25	3	30	21	26
Meeting officials & end users	32	45	4	40	36	44
Other	11	15	1	10	12	15
Not known	2	3	1	10	3	4

Note: Some respondents in Tables 6-13 and 6-14 were included in more than one category.

The researcher collected background information about Chinese and Japanese parent companies. The overall characteristics can be summarised thus: **1)** The Japanese prefer joint ventures with state companies more than other Chinese companies. **2)** Both Chinese and Japanese parent companies were major employers: 46 % of Chinese and 45 % of Japanese parent companies had over 500 employees. **3)** Japanese appear to prefer direct talks with Chinese when conducting their business in China. For example, 52 % of the responses showed that the Japanese consulted directly with Chinese and 44 % made direct trips to China to meet officials and end-users. Furthermore, as case studies in the current investigation show, most Japanese prefer to go to China in person to contact feasibility studies (see Case One in Chapter-9).

4. General Information on JAEs

Respondents were asked to offer basic information about their own enterprises. Six factors were selected: "type of enterprise", "percentage of ownership", "length of co-operation", "form of investment", "number of employees" and "date of going into operation" (see Questionnaire in Appendix I for more details). Four operational modes were designated: "manufacturing", "processing", "repairing" and "other". Table 5-10 as below shows that most JAEs in this investigation were manufacturing enterprises (90 %), while only 16 % and 5 % respectively of the total are processing and repairing enterprises. This means that the situation of JAEs in China has now improved, since in the initial stage many JAEs in China were just processing and repairing enterprises. However, although most JAEs in the current investigation were manufacturing enterprises, their manufacturing levels were still relatively low. Those respondents, who chose the "other" mode, indicated they were involved in printing, product design, selling and so on.

Table 5-10: Enterprise's Operation mode

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
Manufacturing	64	90	9	90	73	90
Processing	12	17	1	10	13	16
Repairing	4	6	---	---	4	5
Other	7	10	1	10	8	10

Note: Some respondents are included in more than one category.

4.1. Type of Enterprise

There were three types of enterprise offered to choose from as shown in Table 5-11. Most JAEs in China were joint ventures, Japanese wholly owned enterprises came second, and co-operative ventures third. These numbers are comparable with the totals for all JAEs (see Chapter Two for more details). Table 6-16 also shows that 40% of Japanese respondents worked in wholly owned enterprises.

Table 5-11: Type of enterprise

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
Joint venture	55	77	5	50	60	74
Co-operation venture	6	8	1	10	7	9
Japanese wholly owned	10	14	4	40	14	17
Total	71	100	10	100	81	100

4.2. Degree of ownership

Five degrees of ownership were designated for Japanese companies, four types for Chinese companies and two types for other parties. Table 5-12 below shows these results. They indicate that most Japanese ownership was between 26 - 50% (46 %) and 51 - 75% (22%). Chinese ownership level is as similar to the Japanese situation: between 26 - 50% accounted for 54% and between 51 - 80% for 20%. A further another point of interest is that there were no Japanese respondents from enterprises where the Japanese ownership level was under 26%.

Table 5-12: Percentage of Ownership

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
JAPANESE						
01-25%	8	11	---	---	8	10
26-50%	34	48	3	30	37	46
51-75%	16	23	2	20	18	22
76-100%	12	17	5	50	17	21
Not known	1	1	---	---	1	1
Total	71	100	10	100	81	100
CHINESE						
01-25%	4	6	---	---	4	5
26-50%	40	56	6	60	46	57
51-80%	16	23	---	---	16	20
Not known	1	1	---	---	1	1
OTHER						
01-25%	3	4	---	---	3	4
26-50%	2	3	---	---	2	2

Note: 14 responses were from Japanese wholly owned ventures, therefore the percentage of ownership by Chinese only relates to the remaining 67 responses.

4.3. Length of co-operation agreement

Four categories of agreement length were designated for respondents; Table 5-13 shows these results. Many respondents had chosen 11 - 20 years as their co-operation agreement length (62 %), and a significant number of enterprises were in excess of 30 years. This result indicates that many JAEs were comparatively long-term investment ventures. One possible reason for this is that normally less than 10 years is too short to recoup the investment, but over 20 years may involve unexpected risks. In particular, the Japanese are concerned about changes in China's political situation and government policies.

Table 5-13: Length of Co-operation Agreement

Respondent ⇒	Chinese		Japanese		C & J	
Years	No.	%	No.	%	No.	%
01 – 10	12	17	2	20	14	17
11 – 20	45	63	5	50	50	62
21 – 30	4	6	1	10	5	6
Over 30	10	14	2	20	12	15
Total	71	100	10	100	81	100

4.4. Forms of Investment

The questionnaire stipulated nine possible forms of investment for both Chinese and Japanese respondents. Table 5-14 gives the results. About 90% of the total stated that the Japanese had invested "cash" in the enterprises, and 44% and 31% invested "machinery & equipment" and "know-how" respectively (including some which had also made a "cash" investment). By contrast, about 57%, 44% and 30% of the Chinese side partners had invested "cash", "buildings" or "site-use rights". Both sides stipulated that cash was the best choice for investment. This is not only financially useful, but also enables the JV enterprise to use foreign currency to buy machinery, equipment, and materials and so on in the international market.

Table 5-14: Investment Forms

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
Cash						
Chinese	43	61	3	30	46	57
Japanese	64	90	9	90	73	90
Buildings						
Chinese	33	46	3	30	36	44
Japanese	5	7	3	30	8	10
Machinery & equipment						
Chinese	16	23	3	30	19	23
Japanese	32	45	4	40	36	44
Production materials						
Chinese	10	14	---	---	10	12
Japanese	10	14	2	20	12	15
Labour						
Chinese	19	27	1	10	20	25
Japanese	1	1	1	10	2	2
Industrial property rights						
Chinese	4	6	---	---	4	5
Japanese	4	6	2	20	6	7
Know-how						
Chinese	2	3	---	---	2	2
Japanese	21	30	4	40	25	31
Site-use rights						
Chinese	24	34	---	---	24	30
Japanese	2	3	2	20	4	5
Other						
Chinese	---	---	---	---	---	---
Japanese	1	1	1	10	2	2

4.5. Number of Enterprise Employees

Six categories were designated for the number of current enterprise employees, and five categories were designated for the number of Japanese staff in the current enterprise. Tables 5-15 and 5-16 give the results as below. About 63 % of all enterprises had 200 and under employees, while only 14 % had over 500. JAEs in China are relatively small. Especially noteworthy is the fact that about 23 % of this sample have 50 and under employees. It appears that the Japanese are still very careful when making investments in China, and they do not move their main investment focus to China, although they know how important the Chinese market is for their

further development. Many enterprises (about 59%) have fewer than 6 Japanese staff, and 20% have no Japanese staff at all. The data also shows that this 20% are small enterprises, which may not need to have Japanese working there.

Table 5-15: Number of current enterprise employees

Respondent ⇒	Chinese		Japanese		C & J	
type	No.	%	No.	%	No.	%
01-50	17	24	2	20	19	23
51-100	14	20	1	10	15	19
101-200	14	20	3	30	17	21
201-500	15	21	---	---	15	19
Over 500	8	11	3	30	11	14
Not known	3	4	1	10	4	5
Total	71	100	10	100	81	100

Table 5-16: Number of Japanese Staff in current enterprise

Respondent ⇒	Chinese		Japanese		C & J	
type	No.	%	No.	%	No.	%
1 – 5	40	56	8	80	48	59
6 – 10	6	8	1	10	7	9
Over 10	6	8	---	---	6	7
No Japanese	16	23	---	---	16	20
Not known	3	4	1	10	4	5
Total	71	100	10	100	81	100

4.6. Starting Operations

Three categories were designated for respondents to answer the question "when did your enterprise go into operation?" Table 5-17 gives the results. Most respondents answered that they were already in operation (98 %), and only 2 % gave a negative answer. This rate is high, and is further evidence to show that compared with other foreign investors Japanese JVs in China have actually been implemented more quickly. 78 % had been in operation for less than 6 years, while just 20 % had operated for more than 6 years. All Japanese respondents indicated that their enterprises were already in operation.

Table 5-17: Going Into Operation

Respondent ⇒	Chinese		Japanese		C & J	
Type	No.	%	No.	%	No.	%
Yes, into operation 1-5 years	56	79	7	70	63	78
Yes, into operation 6-10 years	13	18	3	30	16	20
No	2	3	---	---	2	2
Total	71	100	10	100	81	100

Overall, the main points for this section are **1)** most enterprises in the current investigation are manufacturing joint ventures; **2)** to recoup investments and reduce investment risks, many Japanese companies have signed an operation agreement for about 11 - 20 years in length; **3)** cash is the preferred form for Japanese investment; **4)** compared with the parent company, the size of JAEs in China was quite small; **5)** comparing the ownership level of the partners the Japanese (89 % hold from 26% to 100% ownership) were slightly higher than the Chinese side (77 % hold from 26% to 80% ownership).

5. Sample Characteristics of the Case Studies

These case studies relate to feasibility studies about investment, management skill transfer, marketing strategies and operational practices of JAEs in China. Each section will be discussed in greater depth describing the background, objective and operation of JAEs. The conclusions drawn from the data in this chapter will also be analysed and evaluated in Chapters Seven and Eight. The first part of these case studies has been designed to provide general background information about the respondents. The respondents were questioned on the following four items: position, nationality, background and JV programme information on the enterprise. The researcher decided to request more general information from the respondents as an additional source, to ensure the validity and reliability of the data. For details of the four cases please see Case Study in the Appendix II. Below are the results from analysing the first part of these case studies.

5.1. Case One: Sino-Japanese Sichuan Sanhai Plastics Co., Ltd (SSPC)

Why did the partners choose this programme? What feasibility studies did they conduct? What was the content of those feasibility studies? The researcher interviewed four top managers from this company. Altogether, the researcher visited the company on four occasions: twice to the head office for interviews totalling about seven hours; twice to a company factory for interviews and tours for about two days. In addition, documents were examined, including the Annual Report, a Company Guide, a Feasibility Report and so on.

5.1.2. Background

From June 1992, China Mianyang Plastics Factory and Sichuan Plastics Industrial Company made contact with Japan Hi-Sheet Industrial Co., Ltd, Mitsui Petrochemical Industries Ltd and Mitsui & Co Ltd with a view to setting up a joint venture. After 2 years of negotiations, discussions and investigations, they signed a contract to invest in Mianyang National New Hi-tech Development Zone and established a Sino-Japanese Joint Venture Company on the 11th of April 1994. The total amount of investment was equivalent to US $3.07m, and the registered capital was US $2.15m. Of the registered capital, the Chinese side invested US $0.86m cash, accounting for 40% of the total, and the Japanese side invested US $1.29 cash, accounting for 60% of the total. The main business would be to produce plastic mats, PE plastic seal and other plastic products, and market plastic products for building materials and related raw materials both in China and outside.

5.1.3. Reasons for Programme Choice

For the Chinese this venture was intended to meet the developmental needs of the plastics industry in China, and to promote and strengthen international trade and technical exchange, and to speed up the development of the plastics industry in Sichuan. For the Japanese, their main reasons were to extend their market, especially into the inland areas of China. The JV plans to adopt advanced technology and management methods from the Japanese to make continuous production efficiency improvement and increase economic efficiency to enable the two parties to

obtain satisfactory profits. PE materials etc are a series of hi-tech products which, because of their excellent properties, are used over a wide range, especially in Japan; however, the production of these materials in China has just begun. Only a few factories have started production but their production equipment and techniques are outdated, and the product quality is low. The Hi-Sheet Co., Ltd has advanced technology and produces a high quality, so the JV company will transfer their technology and import their company's, and other Japanese management methods.

5.1.4. Content of the programme

The two Chinese companies and the three Japanese companies have agreed to use the cash to invest in Mianyang, and establish a JV company to produce and sell PE material and other plastic material products. The main market for the product is Sichuan and related Chinese domestic markets. The general manager carries out the various decisions of the board meetings and organises the daily operations and management work of the JV. The planned duration of the JV is 50 years. There were 7 members the JV Company board, including 3 members from the Chinese side and 4 members from the Japanese side. The JV company has a designed capacity of 1000T/year PE material and using this they produce 750T/year of flake.

5.2. Case Two: Beijing Matsushita Colour CRT Company Ltd. (BMCC)

BMCC is officially regarded as a model JV company in China. Six years after starting operations in 1995, its total profit was RMB 2.04 billion, which was 4 times the original investment. In 1995, BMCC became one of the top twelve Chinese manufacturing enterprises, and number one in electronics. The researcher interviewed four BMCC top managers in Beijing. Altogether, the researcher visited the company on four occasions: twice to the head office for interviews totalling about four hours; twice to a company factory for interviews and tours lasting about two days. Some data was also collected from this company, including the Annual Report, a BMCC Guide, news reports about BMCC and so on. The details are as follows.

5.2.1. Background

BMCC was established on 8th September 1987, and started operation on 1st July 1989. The type of joint venture was a limited company. The amount of capital was approximately RMB 500 million, and the ratio was 50 % for the Beijing side and 50 % for Matsushita. The members of both sides were as follows: the Beijing side was Beijing Electronics Tube Factory, China National Electronics Import & Export Corporation Beijing Branch, The Commercial Bank of China-Beijing Branch and Beijing CRT Factory; the Matsushita side was Matsushita Electric Industrial Company Ltd and Matsushita Electronics Corporation.

The number of employees was approximately 2450 in 1995, and the term of the JV was 20 years. They have two production lines. One produces the 21" FS tube for colour TVs, production of which started on 1st July 1989. The other line, which started production on 1st May 1990, produces 14", 19" and 21" FS tubes for colour TVs, and has a theoretical production capacity of 1 million sets per year. However, it has been producing a new type of tube, a "GAOO 29" CRT Panel (SF), with twice the diagonal axis the conventional type. Total production capacity is 2.8 million sets per year at present. In general, about 70 % of its products are selling to the Chinese market, and another 30 % were exported to foreign countries including Japan, Malaysia, Mexico and Indonesia. The main stated aim of exports is to balance its foreign currency costs.

5.2.2. Reasons for Establishing Joint Venture in China

Why did Beijing want a joint venture with Matsushita? How did Matsushita Electrical Industry Group enter into investing in China? The edited answers of the Chinese and Japanese managers from BMCC are as follows.

> "The basic reason for our group of companies to start entering into investments in China was that the founder of the Matsushita Company Mr. Matsushita, was very interested in China. He thought that China would have the largest influence on the development of Asia and the world. Also Mr. Matsushita has twice visited China, in 1979 and 1980. He told many Chinese leaders that it was not enough only to import

equipment and technology from Matsushita, because management know-how would be more important than equipment. Based on this background, in 1985 the Director of Matsushita Electric Industrial Corporation, at that time Mr. Yamashita, discussed details with the Mayor of Beijing, Mr. Xitong Cheng. They reached agreement on a 50 %: 50 % equal partnership for a joint venture. They signed a JV agreement on the 22nd May 1987. At that time, all Chinese colour CRTs were imported from foreign countries using valuable foreign exchange. Production of CRTs is a very complex industry. It needs high technology and equipment to produce colour CRTs. Therefore, the Matsushita company has 140 projects in the form of technical assistance. BMCC was Matsushita Co.'s initial joint venture company, established on the 8th of September 1987." (The answer from a Japanese)

"The establishment of BMCC was jointly proposed by the leaders of Beijing Municipal Government and Matsushita Electric Company of Japan. They wished to set up such a joint venture enterprise to develop an advanced enterprise with a strong competitive capacity in the world market, so as to provide domestic and international markets with a large number of fine qualities CPTs, produced with first rate technology, and give a strong momentum to the development of China's TV industry. We think that to make a careful study of advanced technology we need the management of Matsushita Electric Company, and especially its experience in personnel training. With ten guiding principles, BMCC will try its best to produce an army of staff who are morally good and technically qualified. In today's world no nation can develop rapidly and fully unless it communicates and co-operates with other nations. The establishment of BMCC has provided a good opportunity for Chinese and Japanese to learn from each other. China and Japan have different national and social characteristics and a diverse historical and cultural background, but both share trust and understanding in the management of BMCC." (The answer from a Chinese)

5.3. **Case Three:** Tianjin NEC Electronics & Communications Co., Ltd (TJNEC)

NEC supplied its first NEAX61 public switching system in China to Tianjin in 1985 and since then, has supplied its sophisticated switching systems, optical transmission systems and radio transmission systems throughout China. In 1992, NEC also established Tianjin NEC Electronics & Communications Industry Co., Ltd. (TJNEC), a manufacturing and marketing subsidiary for the switching systems. As a major supplier of telecommunications systems in Tianjin and other cities in China, NEC believes they have made a significant contribution to the construction of a solid telecommunications infrastructure in Tianjin. The researcher interviewed three from the top management level of TJNEC in Tianjin. Data was also collected from this company, including the Annual Report, a TJNEC Guide, and news reports about TJNEC. Further details are as follows.

5.3.1. Background and Research Approach

NEC, ranked forty-seventh in Fortune magazine's annual Global 500 survey, is Japan's fourth largest manufacturer by non-consolidated sales. Since 1972 NEC has established and developed its business in communications, computers and electron devices in China, and has seen annual sales grow to over 150 billion yen. The first NEC-China JV company was established in 1989. By 1997, every one of NEC's main products in China (semiconductors, digital switching systems, optical communications systems, mobile communications equipment, computers and software) was being produced domestically in China. As a result, NEC's overall investment in China stands at approximately 200 billion yen. The company employs 5,000 people with 14 JV companies, making it the largest Japanese corporation operating in China. In 1996, NEC established "NEC (China) Co., Ltd.", a holding company to manage all of NEC's Chinese business. NEC China is responsible for future investment in newly established subsidiaries in China. In TJNEC, with a capital of US $64 million, 35% is held by NEC, 10% is held by the Sumitomo Corporation, and the other 55% is held by the Tianjin Zhonghuan Computer corporation and the Tianjin Local Telephone Bureau.

The researcher visited the company on two occasions: once to the head office for interviews totalling about three hours; once to the factory for an interview of about three hours. The following issues were considered:

1) Motivation and background to this investment
2) Reasons for the choice of partners and details of negotiations
3) Main points of co-operation: total investment capital; composition of the board of directors; management structure; duration of co-operation; management transfer; other stipulations.
4) Production and marketing
5) Labour and training
6) Operation, decision and performance
7) Interference by local government
8) Conflicts arising from cultural and organisational differences

5.3.2. An Illustrative Case Study

Tianjin NEC Electronics & Communications Industry Co., Ltd (TJNEC) has more than 600 employees. There are 18 Japanese staff working in managerial and technical positions. The Chair of the Board of Directors is Chinese and the President is Japanese. Production at TJNEC started on 1st January 1992. All employees have a high educational level. Most are graduates from professional colleges. Most of the management staff have a university degree or a degree from university level college. The main business of TJNEC is producing, selling, setting up, and maintaining NEAX61 digital switching apparatus, and at the same time, providing professional training and system development on the NEAX61. This product has been used in about ten provinces in Northern China, and has improved communications systems of this area.

5.4. **Case Four:** Beijing Taka-Q Leimeng Fashion Co., Ltd (BTQLF)

Japanese companies have been successful in Asia. One reason is the support of top management. Both Chinese and Japanese believe that using Japanese-style management is important to ensure

competitiveness. Both sides want Japanese-style management methods transferred to JAEs in China. Follow up questions includes: "What kind of Japanese-style management methods have been transferred to JAEs in China?" "How do Japanese-style management methods transfer to China?" "Are there any conflicts under cross-cultural management in JAEs in China?" and "What are the problems that exist in the process of transferring Japanese-style management methods to JAEs in China?" The following case study offers some insights into the processes that actually take place.

5.4.1. Research Approach

Since a large amount of Japanese direct investment in China has been concentrated in the textile and fashion industries, the researcher chose a JAE in the fashion industry in Beijing for an in-depth case study, including face to face interviews. Six from the top management level were interviewed, including two Japanese and four Chinese managers. Altogether, the researcher visited the company on five occasions, twice to the head office for interviews totalling about six hours; once to the factory for an interview of about three hours; once to the workshop for a tour while talking to various managers and workers; and once to the fashion shop for another tour while talking to managers and saleswomen. In addition, documents were consulted, including the Annual Report, a company guide, rules concerning labour and wages, and plans for and reports of management skills training. The following issues were also considered:

1) Motivation and background to the investment
2) Reasons for the choice of partners and details of negotiations
3) Main points of co-operation: total investment capital; composition of the board of directors; management structure; duration of co-operation; management transfer; other stipulations.
4) Production and marketing
5) Labour and training
6) Operation, decision and performance
7) Interference by local government
8) Conflicts arising from cultural and organisational differences

5.4.2. An Illustrative Case Study

This Sino-Japanese Joint Venture fashion company was established in September 1992. Its total investment is Japanese Yen 1.3bn (equivalent to US $13m). The registered capital is Yen 0.7bn (US $7m). The Chinese side invested 30%, and Japanese 70% of the total. There are 900 employees, and an annual output of 510,000 garments of all kinds, with 65 % of the total production being exported. This company is an integrated business, which includes technology development, production, marketing and trading. It has a fashion factory and a retail shop. The aim of the company is, through Sino-Japanese economic and technical co-operation, to utilise advanced production technology and management know-how, including experience of marketing, to establish and develop a production base and marketing network, and thereby generate profits. At the same time, it intends to use high quality products, fair prices and good service to increase the competitiveness of the company in the world market, and expand overseas trade.

The Chinese parent of this JV Company, established in 1961, is the largest clothing production company in the Beijing fashion industry, and comprises 176 factories with 48,000 employees. Not only does it lead in size, but it is also regarded as a leader in fashion design, production, research, education and marketing. Its annual output is about 40m garments of all kinds. The parent company is one of the best-known fashion companies in China. It has abundant experience in the fashion business and the high-class workmanship of its many factories over a long history means it enjoys a high reputation locally. There are a number of Japanese partners in the JV Company, including well-known companies such as Itoh Commerce Co., Ltd. The main parent company is a leading company in Japanese fashion industrial circles, one of the largest commercial groups holding many famous brands throughout the world. It has 500 factories and shops in Japan and many subsidiary companies overseas.

The JV Company had already been in business for three years, employing Japanese-style management skills from the outset. These skills have been codified through the company's "Japanese-style Management Skills Training Programme", and the discussion, which now

follows, was derived from responses obtained from the Managing Director, Deputy Director and other managers in this company.

6. Summary

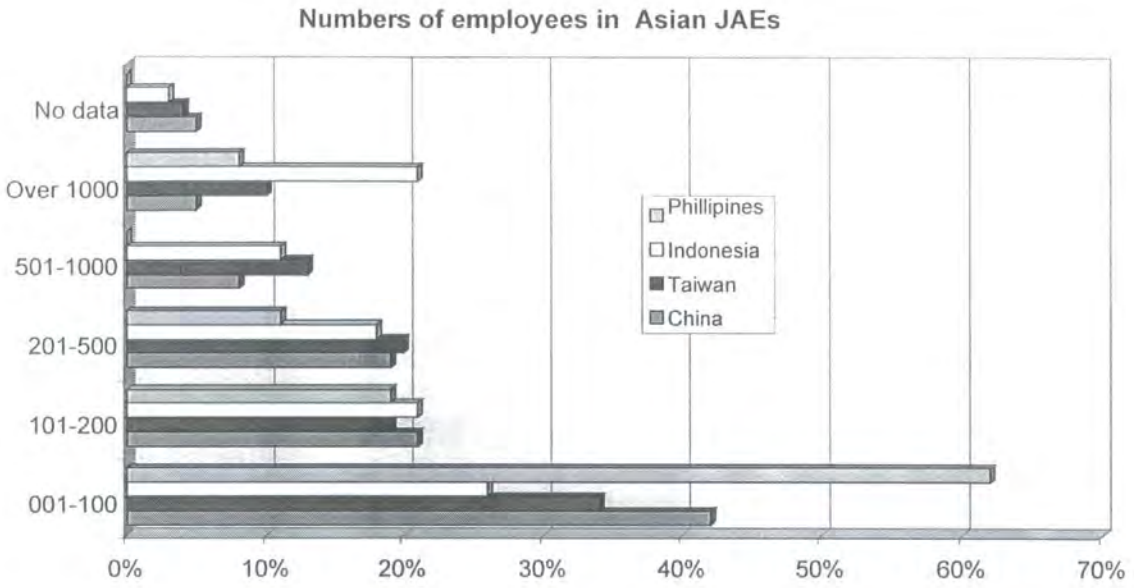
A general description of the current questionnaire and case studies is as given above. More details about the current investigation are in Appendix I and II. The in-depth analysis will be provided in Chapters Seven, Eight and Nine. A summary of some main points in the current investigation is noted below.

6.1. The parent companies are big employers but the JAEs are small

In the current sample, 46% of Chinese parent companies employ more than 500 people, while 31% have less than 500 employees; about 45% of the Japanese parent companies employ more than 500 employees, and 40% less than 500. Among these the largest companies of over 1,000 employees account for 37% of Chinese parents and 33% of Japanese parents (see Tables 6-10 and 6-11 above for more details). On the other hand, most of the current sample are small enterprises: 82 % of the total have under 500 employees, and only 14 % have over 500. Especially noteworthy is the fact that 23 % have fewer than 50 employees.

Yamamoto carried out a questionnaire survey entitled "Training Plan for Technical and Local Employees in Japanese Overseas Subsidiaries" in April 1981[1], which was sent to Japanese subsidiaries in Taiwan, Indonesia and the Philippines. Comparing this with the current sample reveals (Table 5-16 above) that JAE employees in China are fewer than in Taiwan or Indonesia, and only slightly larger than in the Philippines. Figure 1 shows the details as follows.

Figure 5-1: Numbers of employees in Asian JAEs



6.2. Cash is the main type of Japanese investment in China

About 90% of respondents in the current survey stated that the Japanese partner had invested cash in the enterprises. 44% and 31% stated that the Japanese had invested machinery & equipment and know-how respectively. This includes some respondents who indicated the use of cash and other means or investment. By contrast, 57%, 44% and 30% of the Chinese had used cash or buildings and site use rights as their investment modes (see Table 15 in Appendix I). Why did Japanese use cash as the main investment mode in China? It appears from the above that the main investment form in JAEs is cash, but in fact this cash has often been used to buy production equipment and to pay for technology transfer. For example, looking at Case One of the current case studies, it is indicated that:

> "After Chinese and Japanese collectively examined and discussed the equipment in China's domestic market, both sides considered that the technical performance and quality of Chinese-made machines was not good enough for the needs of this production programme. So the Japanese side suggested that the Chinese and

Japanese, after consultation and agreement, import the main production line and key machinery from Japan and South Korea."

The cost of machinery, equipment and technology transfer took 52 % of the total budgetary investment in this case (see Case One in Chapter-9 for more details). So we may find that, although it is considered "cash", in fact equipment and technology are the real means of investment in China.

Campbell (1987) has stated that the Japanese have always seen China as a long-term investment[2]. Of the Japanese companies covered in his survey, 66% were prepared to subsidise an office in China for over 11 years. Most American companies were prepared to wait between 4 and 6 years only. Furthermore, in the current sample most Japanese (62% of the total) chose a co-operation agreement period of 11 - 20 years. Over 30 years and under 10 years were 15% and 17%, respectively while only 6% signed an agreement for 21 - 30 years.

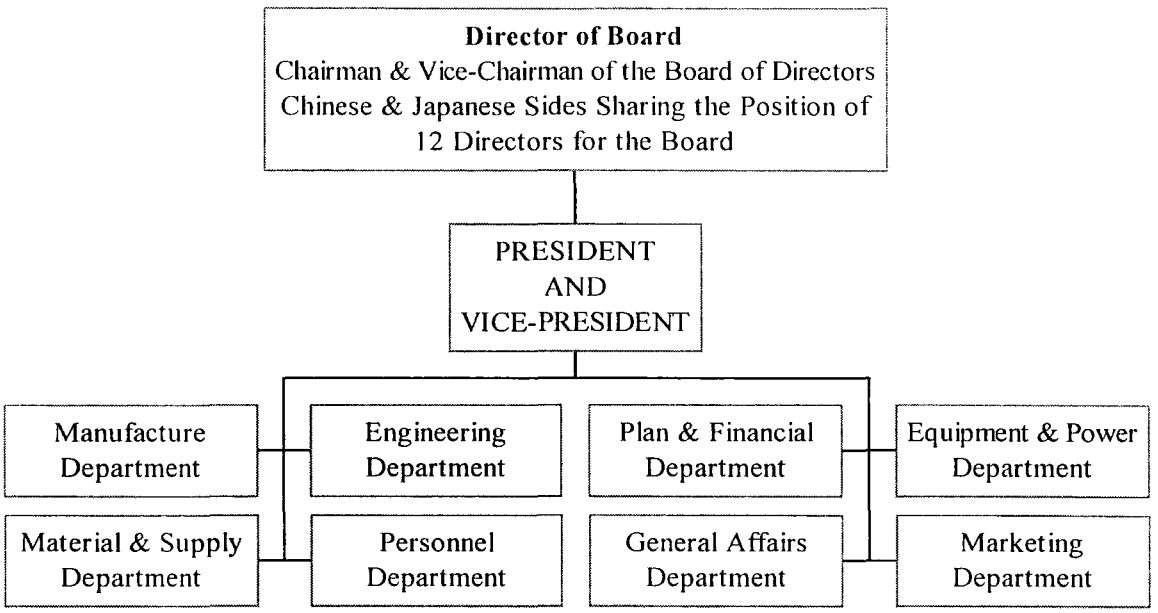
6.3. Structural Characteristics of JAEs

The result of the questionnaire shows that the majority of the Chairmen of the Board in JAEs in China are Chinese (65 % of the total, see Table 20 in Appendix I). However, what does this imply for the remaining 35 %? If they are all Japanese, there is a problem, since, according to Chinese Joint Venture Law, the Chairman of a JV should be Chinese and 74 % of the current questionnaire survey are Sino-Japanese joint venture companies (see Table 12 in Appendix I). This means there are 9 % of JV companies with Chairmen who are not Chinese. This shows that not all JV companies have a Chinese Chairman of the Board as they are supposed to have.

In JAEs, Chinese normally control departments such as personnel, general affairs and the secretariat office, while Japanese have paid most attention to the technology and equipment, manufacturing, marketing and finance departments. In the current case studies, in Sichuan Sanhai Plastics Co., Ltd, there are only two Japanese, but they are both in important positions: one is the General Manager and another is Assistant General Manager (see Case One in Chapter-9). For another example, in Case Two, the Chairman of the Board is Chinese, and the President

is Japanese. The Head of Personnel and General Affairs Departments are Chinese. Japanese head all other departments. A chart based on Case Two shows the structure of a JV below.

Figure 5-2: Structure of Case Two



Here we can see some characteristics of the JAE's structure. These is includes **1)** more precise division of labour; **2)** competitive planning; **3)** Japanese control of production, technology and marketing, and Chinese control of personnel and general affairs; **4)** most of the structures of JAEs have the stronger Japanese-style characteristics and are very different from Chinese enterprises.

The following give a structure comparison between three enterprises. One is China state enterprise (Lee, 1997), one is BMCC and another one is Japanese-owned enterprise (Lee, 1997):

Table 5-18: Structure Comparison between 3 Enterprises of Different Ownership[3]

Chinese State Enterprise		Sino-Japanese JV Enterprise		Japanese-Owned Enterprise	
Total employees	791	Total employees	2450	Total employees	245
Enterprise leaders	5	Enterprise leaders	4	Enterprise leaders	2
President'soffice	16	General affairs dept.	20	President's office	1
Personnel section		Personnel dept.	20	Personnel dept.	2
Wages section	6	Planning & finance dept	20	Finance dept.	16
Financial section	11	Production dept.	50	Planning dept.	5
Management section	11	Engineering dept.	45	General affairs dept.	13
Technical section	10	Equipment & power dept.	75	Development dept.	9
Quality section	10	Materials & supplies dept.	20	Computing dept.	110
Security section	29	Marketing dept.	20	Electronic security	
Administrative section	27	Factory	2176	dept.	36
Supply section	9				
Pensions office	3				
Labour section	6				
CPC, CCYL* and trade union offices	20				
7 branch companies	267			2 branch companies	51
6 branch factories	311				

* CPC: Community Party of China. CCYL: China Community Youth League.

After a comparison of the organisation and structure of these three enterprises, we found that the Chinese State enterprise has more sections and offices. They have 185 staff working there, accounting for 23 % of the total employees. The organisation and structure of the other two enterprises are simpler than the Chinese state enterprise, especially in the case of the Japanese-owned enterprise. It's Computing and Electronic Security Departments are almost like a workshop. In fact, they only have six departments and offices, with 48 staff, 20 % of the total employees.

Overall, comparing JAEs to Chinese State Enterprises (CSEs), there are many differences, including:

- The JAE main policy is determined by the Board of Directors; in CSEs it is the Director and the Enterprise Administration;

- The legal person in charge of enterprise in JAEs is the Chair of the Board of Directors; in CSEs it is the Director of the enterprise;
- Managing Directors in JAEs run the enterprise according to the instructions of the Board of Directors; in CSEs they have the responsibility and right to control and operate the enterprise by themselves;
- CSEs use a system of Enterprise Director responsibility, but JAEs use a system of Board of Directors responsibility.

Notes

1. Yamamoto, T (1985), "Training Plans for Technology and Local Staff of Overseas Subsidiaies", ***Special Research about Enterprise Internationalisation***, Nagoya: Nagoya University Press, in Japanese.
2. Campbell, N (1987), "Japanese Business Strategy in China", ***Long Range Planning***, Vol.20, No. 5, pp69-73.
3. This chart was made by the researcher, one case being from the researcher's investigations, and the other two from Li, P. (1997), "A Comparison Study for Work Attitude of Chinese and Japanese Employees in Enterprise" (*Zhongri Qiye Zhigong Laodong Yishi de Bijiao Yanjiu*), ***Management World*** (*Guanli Shijie*), Vol. 70, No.1, 1997, in Chinese.

Chapter Six

Findings II: The Chinese Perspective

1. Introduction

This chapter outlines the Chinese perspective upon these ventures from a number of different angles. It nevertheless employs the same theoretical comparisons further. In particular, because there were more Chinese respondents, and these ventures were China-based, it pursues the same issues in slightly more depth, and with greater elaboration, in order to accentuate their distinctively Chinese features. Of the 71 Chinese respondents to the questionnaire, 61 came from Sino-Japanese joint ventures and 10 came from wholly Japanese owned ventures; the ten Chinese managers in the case studies were all from Sino-Japanese joint ventures.

2. Motives

As Table 9 in Appendix I reveals, the main differences between CJV and WJV response rankings appeared thus:

Table 6- 1: Rankings of importance for JDI in China (Chinese responses)

Factors	CJV	WJV
Technology and equipment	74%	20%
Management skill	51%	0
Marketing	46%	20%
Strong reputation	39%	0
Finance and economy	26%	0
Patent rights and trade marks	16%	0
Other	16%	0
Access to key materials	5%	0

Note: CJV: Chinese-Japanese Joint Ventures, WJV: Wholly Japanese Owned Ventures.

Although the comparisons are limited it is useful to note the importance assigned to "technology and equipment" and "marketing" from the Chinese perspective. The specific reasons for seeking Japanese investment appeared thus:

Table 6- 2: Why did the Chinese seek Japanese partners?

Factors	CJV	WJV
Labour costs	84%	90%
Market attraction	80%	70%
State policy	64%	80%
Raw material costs	49%	50%
International strategy	51%	40%
International competition	28%	20%
Other	10%	10%
Avoidance of trade friction	3%	10%

Thus, while both valued cheap labour highly, other differences were apparent, as with the WJV's high ranking of state policy, particularly regarding labour and tax rebates. The partisan nature of the responses puts its own slant upon such results, since Chinese staff may well have only limited jurisdiction over such matters, and may only reflect Chinese perceptions of what Japanese partners had sought.

2.1. Economy and Finance

Despite the limited range of responses this was important to some Chinese for the following reasons:

Attracting funds: Funds shortages have been relatively common throughout China, particularly where technology upgrading is concerned, and the state had deliberately restricted the funding available for such purposes in Case Two for example, until the joint venture with Matsushita was formed.

Preferential policy: Before 1995, JV enterprises could use the preferential policy, which not only offered to foreigners, but also to Chinese partners, benefits such as exemption from taxation. Even after 1995, when parts of the preferential policy were withdrawn from coastal areas, the inland area and other special industries still used this to attract joint ventures[1].

2.2. Technology Transfer

The second Chinese motive involved accessing more advanced technologies, which can be considered in five particular respects:

2.2.1. Chinese technology improvement

All Chinese respondents believed Japanese technology was an improvement on the other alternatives then available. Not only was this apparent in both Case Two and Three which have imported comparatively advanced technology from Matsushita and NEC. In Case Three this concerned the NEAX61 figural switching systems, which were not only used in Tianjin, but the whole of North China, radically improving communication standards.

2.2.2. Market access in exchange for technology

For the Chinese State any policy which offers the Japanese market access in exchange for technology upgrading could have certain potential advantages. Although national statistics show that over half of JAE outputs were being exported into the international market[2], many were still being sold domestically. In certain Chinese markets, such as soft drinks, cosmetics and electronics, it was difficult to find any significant Chinese brands[3]. According to a Chinese manager from Case Two:

> "We produce colour kinescope, a product which almost completely occupies the market in its field, deliberately leaving little room for others."

2.2.3. Technology assessment

It is commonly considered that most technology transferred to China is already long established in Japan. However, it is interesting to note that, among Chinese Managers interviewed, many considered their technology advanced. This is indeed puzzling, but on further consideration,

what Chinese managers called advanced, to other nationals actually is not, thereby reflecting different standards. Those managers interviewed were often managing the import of technology, so if they acknowledged that this was not fully sophisticated, they might consider their own work backward too, and thus potentially lose "face".

2.2.4. Copyright

Some Japanese believed that the Chinese do not understand or respect the principle of copyright. But these Chinese managers considered that they were still adjusting to this. In the beginning of China's "open door" policy, many Chinese did not follow copyright, since their laws and regulations were then inadequate. Certain Japanese suspect that, once technology is transferred, methods will soon spread outside, even when factories come under the state, because of the popular Chinese view that "what belongs to them, belongs to us also". However, the situation regarding property rights is changing. A Chinese manager from Case Three therefore remarked that:

> "It is now vastly improved, we have competent laws and regulations regarding this matter and the sense of copyright among the people is being strengthened. Following China's economic reform, competition between enterprises is increasing. The situation called sharing technology is becoming rarer."

Some Chinese otherwise regard behind Japanese reluctance to transfer advanced technology as an excuse for making their enterprises less competitive than they potentially could be.

2.2.5. Japanese conservatism

Although Chinese managers from both Case Two and Three considered there was advanced technology transfer, they still considered the Japanese to be conservative about it. A Chinese manager from Case Four also said:

"When our technical staff were trained in Japan they found the Japanese willing to teach general technique, but when asked about some specific techniques, they were reluctant to give any precise answer, or else said they needed this agreed by a top manager, and thus mildly refused."

2.3. Management Know-how

Chinese managers thought that Japanese management know-how was readily accepted where cultural similarities were recognized. For instance, in Cases Two, Three and Four, special management activities like morning and evening meetings and chanting company slogans were found. Such morning and evening meetings revived memories of the Cultural Revolution, when Chinese workers would wait for instructions, or report their progress to a picture of Chairman Mao. This suggests certain ritual similarities, even in such Japanese management methods as "Ringi", a classical Chinese State management method.

2.4. International Market Channels

Access to the international market appeared important to the Chinese. Not only has the state encouraged JV enterprise sales to international markets, but those enterprises maintain they could penetrate such markets further. In all the establishments visited Chinese managers appeared eager to supply the researcher with details about their international sales. Any such attempt to gain "face" shows how well regarded international market was.

2.5. Patent Rights and Trademarks

There are two sides to this. Using a foreign patent right and trademark is a great advantage to access markets. On the other hand, when foreign trademarks take over, there could be less scope for purely Chinese national trademarks. A Chinese manager from Case Two said:

"In some industries, foreign trade marks dominated most markets. There are two choices for the Chinese in these industries; either refuse JV formations, and be

squeezed out of the market by foreign products, the so-called 'waiting for death'; or form a JV enterprise, and make new trademarks, the so-called 'looking for death'."

QUESTIONS TESTED

The Chinese objective was to acquire Japanese technology, funds, management know-how and industrial property rights. Their method was to attract more Japanese investment into China by means of market access, low cost labour, and raw materials. China's extensive product markets, preferential policies, low cost labour and raw materials thereby became locational advantages. In having ownership advantage, the Japanese are persuaded to set up their JVs, and hold internalisation advantages to avoid market imperfections. For Questions 1, 2 and 3, results were thus:

Q1: It appears that accessing cheap labour, resources and the market were the key motives for the Japanese, while the Chinese sought to gain management know-how, technology and capital. The Chinese in effect used market access, low cost labour and raw materials in exchange for Japanese technology, capital and management know-how. As such both sides could potentially derive benefits from investing in a joint venture. The urgent need for capital, technology, and management know-how made China increase collaboration with Japan through joint ventures. From questionnaires and Case Studies, the Chinese managers appeared to favour technology and management know-how transfers.

Q2: The predicted Chinese and Japanese motives were basically appropriate. Japan needed to transfer and use its surplus funds and its mature technology, while China needed foreign capital, technology and management know-how for its self-development. Because of their different economic development stages, their respective motives for joint venturing differed. With regard to its own state policies, the Chinese advantaged the Japanese in pursuit of funds and technology, while the Japanese were advantaged by preferential policies.

Q3: The Chinese market still enjoyed highest priority, closely followed by low-cost labour. Because Japan had a better financial base, it could gain by international market expansion. The differing motives of the Japanese and Chinese would create scope for potential conflicts, where one cannot fulfil what the other is seeking. The Japanese were unwilling to transfer their most advanced technology and increase access into international markets. At the same time, China may not yet itself offer all the market access the Japanese hoped, while coastal region labour costs many well increase, and state policy may discriminate less in their favour.

3. Partner Selection

Compared with the Japanese, the Chinese were more passive in partner selection, for all its importance to joint venture success. The issues driving Chinese partner selection were thus:

Table 6-3: Initial business contact

	CJV	WJV
Other	41%	20%
Introduction through embassy / similar organisation	28%	0
Chinese business delegation in Japan	18%	20%
Trade exhibition or technology fair	18%	10%
Direct Chinese solicitation of parent company	8%	10%
Hired consultant	7%	0

Table 6-4. How did the Japanese monitor and analyse the Chinese market?

	CJV	WJV
Consultants in China	48%	40%
Trips to China to meet officials/end-users	44%	50%
Consultants in Japan	18%	30%
Representative office in China	28%	10%
Other	15%	20%
Consultants in Hong Kong	8%	0
Japanese-language business publications	7%	0
Chinese-language business publications	3%	0

Surprisingly, most firms choose, or end up using, other channels to make initial business contacts. These other channels may have recognizable historical links between business associates, networking within the business community, and means for effective introductions and recommendations from business associates. The WJV responses were nevertheless rather sparse, possibly because many Chinese managers would not know how presidents made first contact, and were themselves only recruited later.

The methods of monitoring and analysing the Chinese market were based around consultants in China and face-to-face meetings with officials or end-users. Many Japanese prefer more direct methods of obtaining information, while discriminating between primary over secondary sources.

3.1. Geographical proximity / familiarity

The coastal and the northern areas of China, especially the North East, were main sites for Japanese firms, having long established connections where older generations may still speak Japanese and have proven experience in dealing with them. For example, after the Second World War, many Japanese children orphaned in China were brought up by Chinese families in this area, and although some returned to Japan after 1979, they may still favour this part of China for developing business links. Such longstanding connections enable the business community of North East China to appear more receptive to the Japanese. In terms of initial business contacts, 37% of Chinese respondents replied "other", which included "friends", "other company introductions" (see Table 10).

3.2. Economic base

A main focus concerned revolving fund sources. From eight hypothetical possibilities results show that most revolving funds were offered by the Japanese parent company (49%) with Chinese parents contributing only 17% (see Table 23). The other sources that offered 22% for revolving funds included mostly enterprise-generated profits. The Japanese have a wider range of revolving fund sources when choosing their Chinese partner, while the Chinese considered

themselves disadvantaged in this respect. In all four cases researched, the Japanese firms were considered to have started from a more secure economic base, such as Matsushita, NEC and Taka-Q.

3.3. Technology

Here results collated in Table 24 show that Production Technology was the most common technology imported from Japan (77%), followed by Operating Machinery (58%) and Production Design (30%, compared with a Japanese response of 70%). Despite alleged Japanese unwillingness, this table reveals that 13% of Chinese responses considered Research and Development type technology had been transferred from Japan, whereas the Japanese response was 40%. Chinese managers from the Case Studies emphasised the importance of technology in partner selection. In Cases Two and Three, the Chinese believed they chose Matsushita and NEC because of their advanced technology, which would upgrade their own production level. Even though such Chinese companies did not necessarily receive the full level of technology they were hoping for, it was still a large improvement upon their existing technology.

3.4. Management know-how

In partner selection, management know-how was influential. Most responses (84%) showed how the Chinese admired Japanese management know-how (see Table 25). This was also evident in all the case studies. Also, for many Chinese, Japanese management methods were easier to accept than Western ones, given their respective cultural similarities. The methods concerned primarily consist of TQC, QCC, 5S and Kanban[4]. These were already known by the Chinese from books, journals, and suchlike before. When forming JVs, the Chinese sought hands-on experience with the Japanese, something they could not always get from other sources. In Case Four the Chinese chose Taka-Q Company not only because of investment, but also their well-respected management skills and training methods.

3.5. Reputation

Another factor for the Chinese selecting the Japanese, concerned company reputation. Chinese managers from Cases Two and Three all indicated that they were attracted to Matsushita in the television industry and NEC in communication control because both could claim excellent reputations.

QUESTIONS TESTED

The factors affecting partner selection of the Chinese are similar to their motives for joint venturing. While the Japanese possess "ownership", and the Chinese "location" advantages regarding partner selection, neither could individually combine ownership and location advantages together at a low cost, but they could joint venture to reduce costs. Questions 4 and 5 are tested as below.

Q4: This helps explain how Japanese priorities and Chinese priorities were slightly different regarding the economic base, technology, and management know-how, although historical and relationship influences were less important than expected.

Q5: State and partner relationships are more sensitive for Japanese than Chinese partners. While some Chinese partners also sought good relationships with their own local state government they still attach limited importance to them. It cannot be said that the Chinese value relationships very much more than other factors, especially where leading economic and technological factors were concerned, for these were also considered crucial too.

4. Control and Conflict

Control and conflict issues appeared thus:

4.1. Control

Shared control is generally perceived as meaning both partners exert control together. In reality each partner exerts specialised control. Here control has been further divided into ownership, leadership, human resource management and strategic resourcing.

Table 6-5: Control over main department

	CJV		WJV	
	Chinese	Japanese	Chinese	Japanese
Personnel department	92%	8%	70%	20%
Financial department	87%	21%	50%	50%
General affairs	79%	2%	60%	40%
Marketing department	67%	43%	30%	60%
Manufacturing department	62%	49%	30%	70%
Technology & equipment department	39%	49%	10%	70%
Secretariat	66%	8%	30%	10%
Other	15%	5%	0	0

Note: Certain responses show some departments controlled by both partners, and some respondents do not identify any department, hence the percentage cannot add up to 100%.

With most staff being Chinese, it is expected that the Personnel and General Affairs department is managed by Chinese, while some smaller ventures may have no Japanese staff at all. In general the Japanese exerted more control over marketing, manufacturing and technology & equipment in both types of venture. However, even though the Japanese had particular expertise in such areas, certain ventures still appoint a Chinese director for these departments.

4.1.1. Ownership

The Chinese have been reluctant to limit foreign ownership where this would mean greater Chinese investment instead, and even then the other partner could still control technology and products, and gain more power accordingly. For instance, NEC only held 35% of Shougang-

NEC in its early stages, but as it progressed it increased ownership up to 51%[5], because the Chinese were unable to uphold their ownership stake. A Chinese manager from Case Three judged that:

> "If the Japanese have the better half of the ownership, they will put much more effort into making it successful as they have more at stake."

4.1.2. Headship

Top managers of both partners control management in any JV company. But the partner with most knowledge, skill, experience and understanding of headship may dominate. This is evident from two cases. In Case One, the Board of Directors consisted of 7 Directors, 3 Chinese and 4 Japanese, with Chinese as Chairperson and Japanese as a Vice-Chairperson. One General Manager was nominated by the Japanese and a Vice General Manager by the Chinese. In Case Two, there were 12 directors, 6 Chinese, 6 Japanese[6]. The situation of the Chairperson and the General Manager in this case was the same as in Case One. Normally the Chinese will prefer to take the Chair of the Board of Directors, even if this means holding several other jobs at the same time. The views of the Chinese case study managers about headship were thus:

"Often they will find they have not enough time to devote themselves fully to being chairperson. When this occurs their power may well be taken from them, leaving them with only the name." (Case Two)

"Some members of the Board of Directors do not have a full understanding of how to manage a JV. So they cannot control or supervise JV operations." (Case Three)
"Some key managers are still using state enterprise management methods from habit, although there are more advanced methods available. They cannot fully comprehend the Japanese style, therefore they cannot manage the JAEs." (Case Four)

4.1.3. Human resources management

Who determines the main policies in JAEs? While this question is not easy to answer, many respondents believed the JAE itself determined these in the five key decision areas identified. Tables 21-A to 21-D show that most respondents considered the main policy was determined by the JAE itself. Responses about the five decision areas were thus:

Table 6-6: Main policy area determined by JAEs

Increase or reduction of staff	72%
Annual budget	68%
Production plans	64%
Output and profit targets	57%
Product pricing	54%

This suggests that JAEs have most decision-making power in personnel affairs. Although Personnel Departments were controlled by Chinese, some Japanese first exerted control when selecting key employees beforehand. The chosen employees were typically considered young, energetic and/or with high qualifications. Many Chinese managers considered that even though they controlled most recruitment, that of the key managers had to be finalised through the Japanese. The key managers appointed were often Japanese, while the salary and fringe benefits of any foreign employee could be considered to exceed that of the Chinese ten-fold.

4.1.4. Strategic resourcing

The Chinese will argue that the Japanese are not transferring their most advanced technology, and are reluctant to fully explore R & D opportunities. Cases Two, Three and Four all lack sophisticated R&D Departments. Normally R&D is carried out in the Japanese parent company. A Chinese manager from Case Three typically asserted:

> "All international marketing channels in the JAEs are under the Japanese parent company's control. Hence us Chinese will never thoroughly understand the international marketing situation – such as price changes and variations in market demand."

4.2. Conflict

Here, it was found that contrasting cultural backgrounds underscored possible conflicts, even though there were similar values. The main potential bases for conflict are now discussed.

Table 6-7. Barriers to importing Japanese management methods

	CJV	WJV
Different economic & business systems	51%	30%
Different cultures & traditions	34%	30%
Different political & social systems	26%	10%
Mutual language barriers	25%	30%
Low education level of Chinese employees	16%	10%
Other	7%	0
Poor co-operation between C & J staff	2%	10%

The Chinese respondents from WJVs therefore believed that the differences between economic and business systems, culture and traditions and respective language, constituted a sliding scale of problems. However CJV respondents ranked misfit between economic and business systems most problematic. WJVs respondents were reluctant to acknowledge these political and social systems differences, which have long been sensitive topics in China.

4.2.1. Political system

A Chinese existing in a socialist and a Japanese existing in a capitalist system encounter two opposing limitations. The former may allow limited opposition towards workplace management but little regarding the state. Of all the choices offered to respondents only "unstable political situation" obtained no answers (see Table 36). Considering this questionnaire was carried out in China by a Chinese researcher, respondents shared some misgivings. Many Japanese also appreciated this, and took this same line, and so did not answer at all. Chinese workers have often been told they are the "masters" of their enterprise, but realise that neither they nor their managers own that enterprise, giving them scope to criticize the manager's authority when they do not agree. By contrast they would consider many Japanese workers more compliant, especially because of lifetime employment and seniority system. Therefore, many Chinese are

less accustomed to Japanese respect for hierarchy, particularly the way the top management treats subordinates, while the Japanese are unaccustomed to challenges from the Chinese workers. A Chinese manager from Case Two indicated that:

> "There are some conflicts in BMCC. For example, 'obey' in Chinese company is "not absolute"; some workers will not obey in time, if they don't like to do something, usually they are against their managers. But, to 'obey' in a Japanese company is 'absolute'; nobody opposes their manager in work time. So the first problem is how to let the Chinese staff understand the meaning of 'obey', and how they should 'obey' in their work time."

4.2.2. Economic property

Given different understandings about ownership, certain other differences arise. For example, a Chinese manager from Case Four observed his Japanese colleagues thus:

> "Before and after the working day, the Japanese manager always goes to the photocopying machine and confirms that the number of photocopies done in the morning checks with the number of the previous day. This is to prevent employees benefiting from the machine for their own sake."

This indicates the detail to which some Japanese managers will go. Another Chinese manager from Case Two said:

> "When our Chinese staff went to the training course in Japan, they found they were not allowed to use the company telephone for personal matters. For this they would have to use a pay phone outside. In China usually, taking advantage of office equipment for personal matters is acceptable."

4.2.3. Culture

Two illustrative problems were apparent. One was the language barrier and the other the Japanese tradition of removing shoes both at the workplace and at home. Many Chinese feel uncomfortable when obliged to follow this Japanese tradition in their workplace. It also limits the Chinese understanding of workplace rules. Many respondents considered that problems arose from the language barrier (see Tables 37 and 38). "Mamafufuism" translated literally from Chinese means "ma ma hu hu", "ma" or horse and "hu" or tiger, so that linking them together makes both appear in the same light; stating that they are both mammals makes them no different from one another. This phrase, although exaggerated, implies that the Chinese are natively crude and inaccurate. It actually contains several different meanings: careless - in action; estimated and/or unclear in understanding. For the Japanese however, we can see a contrasting trait, being keen to appear articulate and precise, both at work and at home.

In JAEs, differences in the interpretation of rules and regulations exemplify contrasting traits. As a Chinese manager from Case Four said:

> "Each point listed in the contract will be precisely followed to the letter by the Japanese employee, whereas the Chinese will try to bend it somehow for it to work to their advantage, but at the same time still achieving the same result."

Of course "ma ma hu hu" may restrict work, but when trying to establish a good business relationship, "mamafufuism" can be considered necessary to avoid being too frank and upsetting to the other party, thus spoiling the relationship. An old Chinese saying is used to describe this situation, "If the water is too clear, there will be no fish; if a person is too perfect, he/she will have no friends."

4.2.4. Social factors

Both parties forming the JAEs are bound by ties, but those ties may change later. For the Japanese it is "Shaen", meaning societal ties, consisting of those within their sphere of influence.

For the Chinese it is more community or blood ties, consisting of those only within the "family" group. When two partners are working together, the Japanese form into groups based on those within the company, as if they all follow the same direction, the same proverbial "way of mind", the same type of obedience. The Chinese may also form an apparently similar group, but within this there may be several smaller sub-groups, each with a different basis, in which they seek to be inquisitive, to question an order, to speak their mind. A Chinese manager from Case Three said:

> "Normally, Chinese employees used to ask questions when managers let them do something, but this greatly vexes the Japanese managers, who are only used to giving orders, without explaining them. This is because in Japanese firms, when the manager says something the employee will follow, they do not like to be questioned."

This difference causes some Japanese managers to react abruptly to Chinese employees, who then raise complaints about their so-called "appalling treatment", as they consider it more acceptable to question an order.

4.2.5. Personal custom

The Chinese managers were impressed with the efficiency and swiftness of the Japanese employees. This was evident in the Japanese parent companies, where work was considered efficient, and conducted with a sense of urgency, including physically running to and fro between destinations. On the contrary, some Chinese employees from JAEs are used to working to a slower, more relaxed pace, following the Chinese custom about working in a more sedate manner. These contradictions in social "personalities" can be defined as: the Japanese custom is to have a more urgent disposition, whereas the Chinese customarily observe steady pace. Chinese history values perseverance, having maintained their existence by agriculture, through long and tedious routine work, where energy is expended equally throughout the day. From an early age, the Chinese considered they coped with long periods of hard labour through preserving their energy. The Japanese often complain of Chinese employees' lack of precision in

their work and lack of punctuality. But in the Chinese view, the Japanese are obsessive by being attentive to everything, down to trivial details. For example, a Chinese manager from Case One said:

> "A timetable which is drawn by Japanese will be detailed down to the exact minute. The Chinese feel that when every minute is being dictated to, the person will have to become a machine or robot to comply."

Another Japanese custom is an ever polite and ambiguous manner. They rarely give a sharp or straightforward refusal to colleagues of the same rank, they will perhaps apologise for the inconvenience or else appear seemingly hesitant. On such occasions, the Chinese will often interpret that as what it seems - a hesitation - and may still try to influence any given answer.

QUESTIONS TESTED

To control is also to risk conflict. When just one side seeks dominance it may disturb the whole venture. The success of joint ventures could come under threat due to opposing wills. The test results of questions 6, 7, 8 and 9 are as follows.

Q6: Ownership leads towards control, but control cannot solely depend on ownership, for whoever has the most skill, knowledge and experience can exert control too. In that sense, the Japanese could assume more control and they are more likely to be nominated President of the venture. The Chinese however, are not content with the more passive role of Chairperson of the Board of Directors, and also believe the Japanese obstruct international market understanding.

Q7: There is little evidence directly supporting this question. JAEs often have Human Resources Departments (see Table 21-E) headed by Chinese, although even then they still believe the Japanese can determine key management appointments. However, much decision-making in JAEs is self-contained and the Japanese gain particular control

through ownership and strategic resourcing; hence, even in JVs the Chinese exert limited control – more so in WJVs where the Chinese do not claim ownership at all.

Q8: Much evidence supports this. Socialist and Capitalist conventions about freedom of speech alone accentuate conflicting views and can provoke resentment. Contrasting views on employee treatment arise from the Japanese respect for hierarchy and the Chinese lack of it, or the Chinese respect of state authority and the Japanese criticism of it. Even the understanding of property rights creates differences on occasion, although Chinese partners also fear lack of information about the international market.

Q9: This is not proven, although both appreciate Confucian values, there are other values besides. The language barrier likewise creates scope for misunderstanding between the Japanese and the Chinese. Different traditions arise within JAEs, especially those of the Japanese, to which many Chinese are unaccustomed.

5. Performance

Responses suggest that production, marketing, technology and management transfer were considered performance critical. The most important factor was overall satisfaction, but profitability, growth and competitive assessments also influenced how performance was judged.

5.1. Profitability

Using the same categories about annual turnover as before, overall profitability was judged reasonably satisfactory, as many ventures increased their profit from the previous year.

Table 6-8. Annual Turnover

	CJV	WJV
Higher than the year before	66%	60%
Similar turnover	7%	0
Lower turnover than before	7%	0

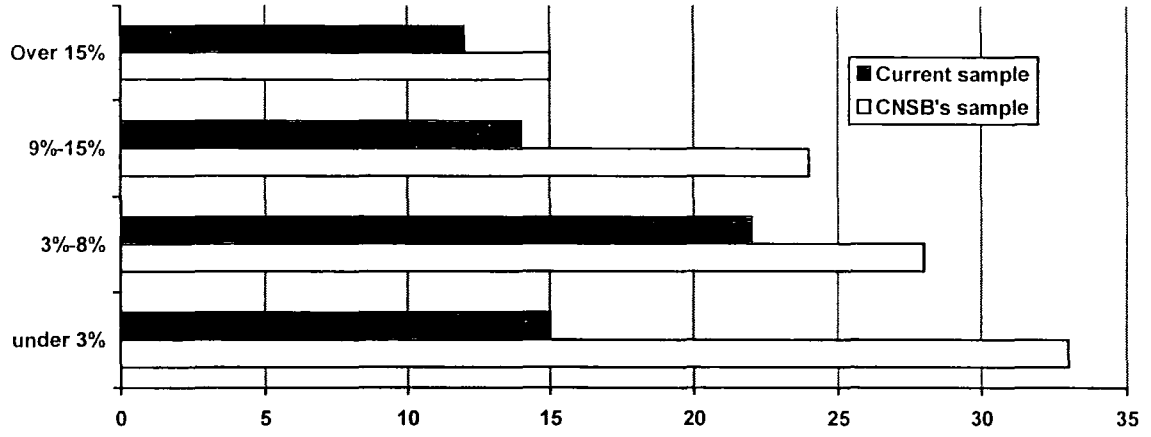
Table 6-9. Profit

	CJV	WJV
Up to 3% of annual turnover	11%	30%
3 - 8% of annual turnover	28%	0
8 - 15% of turnover	11%	10%
Over 15% of turnover	15%	20%
Breaking-even	11%	40%
Small deficit	20%	0

The relative lack of responses may reflect varying knowledge about ventures' annual turnover. The lack of response from WJVs may be explained by Chinese managers subordination in that respect. CJVs enjoyed particular advantages over WJV where profit was concerned. A high percentage of WJVs (40%) broke even, compared with 11% of CJV's, although no WJV's were in deficit. Nevertheless virtually 60% of all ventures were considered profitable.

Certain Chinese and Japanese responses were similar, although the Japanese believed "annual turnover" had increased more. Furthermore, in this research, 72% had reached the full production stage[7]. This was higher than in the China National Statistical Bureau's (CNSB)'s sample[8] (66%). In this research, 63% were considered in profit; 17% break-even; 19% in small deficit; and none had a large deficit. The CNSB's study found 57% in profit; 41% were in deficit, of which 30% had a small and 10% a large deficit. A study by the Export-Import Bank of Japan showed that only 60% of the 483 overseas ventures sampled were profitable. Less than half of all these firms showed any cumulative profits since their founding, and 68% had not paid any dividends at all. How does this compare with profitability of JAEs in China in the 1990s? A comparison of profitability between the current and CNSB's sample is possible. The details are as follows.

Figure 6-1: A comparison of profits to turnover between JAEs and FAEs



Thus 63% claim profits, 19% none, and 17% break-even. This performance looks slightly better than the Export-Import Bank's survey, where 60% claimed to be in profit. It is also possible to compare turnover for the first six months of 1993 and 1994. 65% claimed that the 1994 figures were higher, a quarter over 50% higher, 5% either lower or 5 similar, and the remaining 23% did not know.

Chinese responses were less concerned about outside competition, while the Japanese also appear more sensitive to the level of profitability than most Chinese, who have little experience of its calculation, although "not known" responses existed among both. Although both are collectively orientated, the Chinese gravitate towards family, whereas the Japanese appear otherwise group-orientated, with more sense of ownership over "their" company. Chinese employees are not bound in this sense. Both the Chinese and the Japanese have the tradition of "keeping up a good public face". Although both try to "keep face", in all four case studies, the Chinese were more likely to place achievements over difficulties, whereas the Japanese focus more upon operational and future problems. The Chinese state has long encouraged report or talk of good news, while holding back bad news; citizens are officially encouraged to be positive and not negative.

5.2. Growth

The Japanese responses regarding the realisation of full production, the marketing region and sales in and outside of China, were similar to these Chinese responses. However, there were still certain differences thus:

Table 6-10. Realisation of full production

	CJV	WJV
Yes	79%	70%
No	21%	20%

Table 6-11. Regional Market

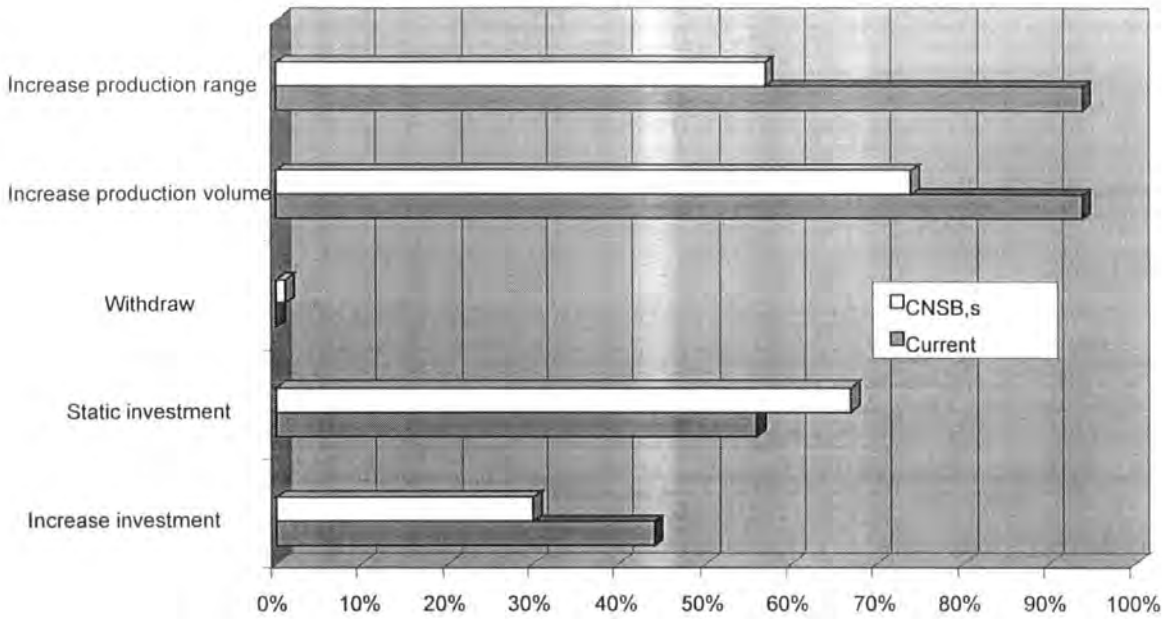
	CJV	WJV
Chinese market	84%	40%
Japanese market	61%	80%
Other markets	44%	60%

(some respondents made more than one selection)

Most ventures were thus in full production, CJVs slightly more than WJVs. As expected, the main marketing region of WJV's was Japanese whereas CJV's produced a mostly domestic market, but still with some export outside.

The Japanese appeared more concerned with future problems over growth itself whereas the Chinese were also concerned with future rewards and benefits as well A further point of comparison between this sample and the survey CNSB's concerned any intention to increase investment, output and type of products thus:

Figure 6-2: Comparison of future intentions between JAEs and FAEs



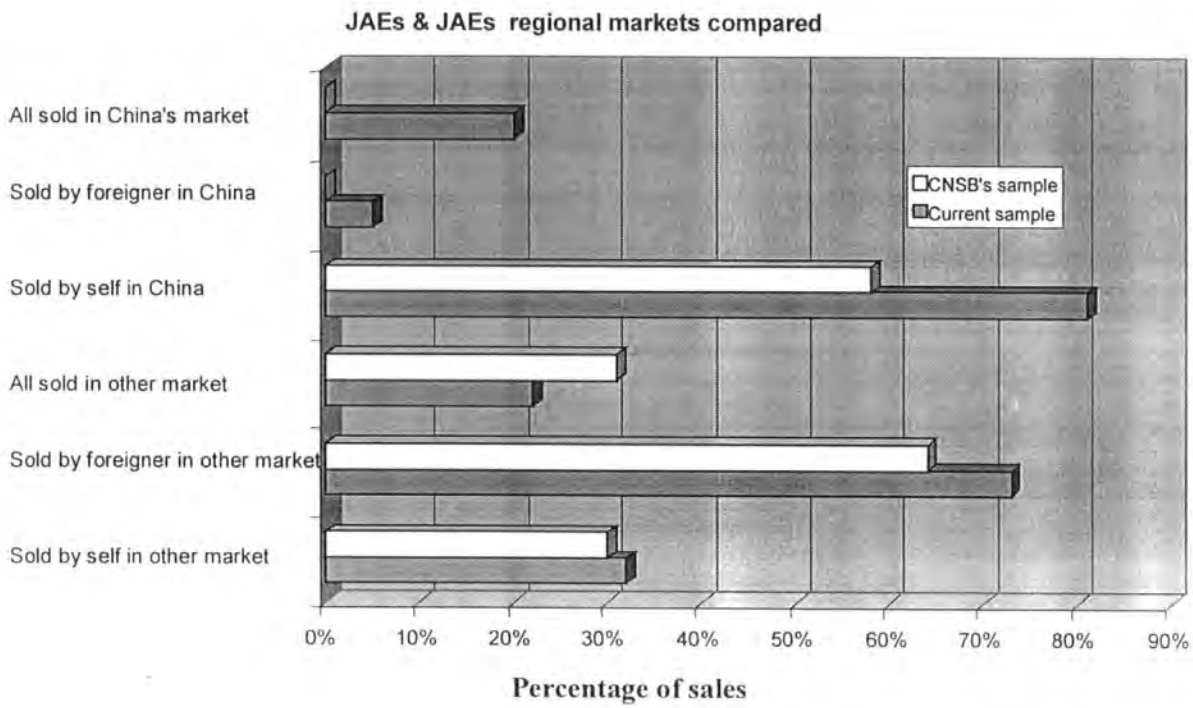
This suggests that the production situation of JAEs was slightly better than that of FAEs in general. Therefore, although Japanese investment in China was third ranked overall, their prospective business priorities were different. In the CNSB sample, the average agreed capital outlay was US $1.76 million, while the actual capital outlay was US $1.64 million. However, only in the case of Japan does actual capital outlay virtually match agreed capital outlay, in which respect only the UK and Germany stand immediate comparison. Case Two illustrated mutual co-operation by China and Japan. In order to produce high quality products, it is officially emphasised that advanced production facilities require excellent workers who operate them properly and never ignore defects. All production and quality assurance workers were said to "extend their untiring efforts to maintain high but consistent quality". Up to 1996, it had four rounds of investment making gross investment seven times the original. After a third production line was established, the annual output of Case Two exceeded over US $ 3 billion.

5.3. Competitiveness

Over half the ventures used advertising in China to attract customers. Most respondents indicated they had more advantages in the domestic than other Asian markets (see Table 32-A). Overall, both the Chinese and the Japanese believed that "high quality" gave advantages. When products were compared with Japanese parents, the quality was found to be lower, emphasizing the need for continuing improvements.

In terms of marketing region, 20% sold all their products outside China, with 10% selling them in the Japanese domestic market; 20% sold them in the Chinese domestic markets; the rest sold their products across markets. A comparison with the CNSB's sample appears thus:

Figure 6-3: JAEs and FAEs regional markets compared



80% thought their main advantage in the China market was high quality; 41% top product design; 48% service back-up. In Case Two, quality was a key factor. The quality of their

products was considered to reach international level, as with Matsushita's products in Japan. which used the "Panasonic" trademark. Overall:

1) the Japanese originally paid attention to the Chinese domestic market;
2) the Japanese control most sales outside China;
3) high quality, top product design and service back-up were considered main market advantages; and
4) attention spanned both current sales and future market potential.

In the Chinese domestic market JAEs took up 77%, in the Japanese domestic market 66%, and outside China and Japan 49% (see Table 29). This suggests Japanese firms have a particular local market orientation. Two cases demonstrate this. In Case One the feasibility report indicated:

> "... products that have a larger market in China. Recently, the requirements have already been large, following the oral nutrition, liquid medicine and beverage etc, the rapid development in China shows an increasing market there in the future."

In Case Two it was suggested that:

> "In general, about 70% of products are sold to the Chinese market, and another 30% are exported to foreign countries including Japan, Malaysia, Mexico and Indonesia. The main aim of exports is to balance enterprise exchange."

Exports to Japan and other countries therefore amounted to 66 and 49%. In Case Two 30% production was exported outside China and in Case Four 65%. Considered from an economic and cultural dimension, the further issues were thus.

5.3.1. Economic

The results suggest that 36% (see Table 28) never used advertising. In general the Chinese customarily put less effort into marketing products because they effect to feel modest about their efforts, putting on a facade of not being worthy of other's praise. Advertising is seen as seeking ways to boast about products, which was once considered against Chinese custom. There is a saying in China, "the Emperor's daughter never fears becoming a spinster". This can be referred to as another reason for Chinese reluctance to advertise, and a result of state-ownership, which eliminated any fear of un-saleable products. Other responses suggested the Chinese prefer newspaper advertising (46%), as it often appears the cheapest method, attracts most attention, and fits Chinese custom better.

5.3.2. Cultural

Both the Chinese and the Japanese may claim to be modest about their talents. For example, even though as hosts both will spend time creating a feast for their guests, they will customarily refuse any praise for the result. Many Chinese still believe that if the product is good enough it will make its own publicity. "Seclusion will not be feared by wine so good" is a customary metaphor which indicates the underlying attitude, but 58% still replied that advertising had increased their sales (see Table 28).

5.4. Overall Satisfaction

Both partners categorise their overall satisfaction as "good" even where further improvements were possible. From the results of the questionnaire, all JAEs will continue into the near future, but less than half would raise investment. Others would increase the range and volume of production instead. Most Chinese believed they would still continue with the same partner.

Table 6- 12: Further development intention

		CJV:	WJV:
Increase investment:	Yes	57%	60%
	No	43%	40%
Increase output & range of products	Yes	93%	90%
	No	7%	10%
Continued partnering	Yes	93%	0
	Not known	7%	0

Both therefore attended to increasing output and range of products, however, just over half would increase investment, while might imply that other were sufficiently profitable to expand without extra capital from outside. Almost all ventures would continue to grow and expand, which again implies prospective success.

In terms of imported Japanese management methods responses were thus:

Table 6- 13: Imported Japanese management methods
(Compare between Chinese and Japanese respondents)

	Chinese:	Japanese:
5S	69%	80%
QCC	46%	70%
Enterprise internal welfare system	32%	60%
Enterprise length of service system	27%	50%
Other methods	10%	10%
No import	11%	0
Not known	6%	0

The Chinese responses therefore appeared less convinced than the Japanese. The Chinese were less reasonably satisfied with overall performance. They believed that more results of their efforts were being appropriated by the Japanese and that their share of the benefits was smaller. Chinese managers often need to explain state policy towards foreign investments to employees while bearing certain criticisms in mind. JAEs staff themselves appear satisfied with the overall performance, but in recent years those Chinese not connected with JAEs are less convinced. On the other hand, when they categorised their overall satisfaction as "good", some Chinese may well have compared the JAEs with Chinese parent companies, thereby presenting them in better light. The Chinese and Japanese both dislike losing face. This occurs especially in the case where

the Chinese acts as a host to welcome Japanese investment. They feel obliged to ensure a "pleasant atmosphere" for this. And, as a host, it is difficult to express their anxieties because this would seem impolite.

QUESTIONS TESTED

In the previous chapter, the Japanese appeared more satisfied with performance than other foreign investors not least because they enjoy a higher relative success rate. This section shows that the Chinese appear satisfied with overall performance. From the theoretical angle, it could be said that there are more internalisation advantages in the Sino-Japanese case than elsewhere. Questions 10, 11 and 12 appear thus.

Q10: Most JAEs in China were reported profitable and growing, albeit at different rates. Less than 20% of ventures were only breaking even or in deficit and growing at slow rates. These results show that both CJVs and WJVs were similarly profitable, approximately 50% clearly so, while the great majority were still aiming for further growth.

Q11: Response to Q10, where it is shown that most JAEs were planning to grow, further imply that there was sufficient confidence and commitment as to regard ventures as satisfactory performers thus far. However, constraints upon satisfaction arose from contrasts between political and economical systems, as well as the cultural factor whereby both parties tended to put on a "good face", hiding minor dissatisfactions.

Q12: Since 90% of JAEs would increase their output and product range, they were becoming increasingly established in China. As was indicated earlier, China was 19th in the list of Japanese JV withdrawals, out of 20 in total. The performance of JAEs was steadily improving, partly due to Japanese management methods, technology and capital. All this suggests that other Japanese will continue to develop more ventures in China.

6. Environment

Dividing this into "hard" and "soft" the main features were thus:.

6.1. "Hard" Factors

The Japanese originally considered this problematic. Their reasons for concern included unreliable transportation, poor routes, lack of discipline and inconveniences during construction work, and a lack of up-to-date communications equipment and technology. Many Chinese were found sensitive to these issues too. However, there were still some differences. When asked "what were the key problems encountered in your enterprise's development?" 11% of Chinese and 40% Japanese respondents replied "poor infrastructure" (see Table 36). In the case studies, the Chinese managers interviewed were "quite satisfied" with the working environment. In Cases Two, Three and Four, when Chinese managers acted as company guides, they indicated that their current workplace was much better, but improvements were still needed. Chinese and Japanese standards of assessing the "hard" environment differed due to their respective backgrounds. What to some Chinese may be the best to many Japanese appears simply ordinary. These different levels of appreciation occur especially where technology and facilities are concerned. A typical example can be gathered from respective views on the use of electricity; the Japanese encourage its use, whereas Chinese people are encouraged to conserve energy, due to a frequent shortage of supply. Traditional Chinese culture urged people to minimise and have little beyond the "necessity of life", allowing only the occasional indulgence. The "Mamafufuism" mentioned before also contradicts Japanese concern for precision and exactitude.

6.2. "Soft" Factors

Although both partners first identified the hard factor as most problematic, they later found more "soft" increasingly difficult. Other evidence shows differences between Chinese and Japanese thus:

Table 6- 14: Key problems encountered in the course of enterprise development

	CJV	WJV
* Cash flow difficulty:	66%	20%
* Ineffective laws and regulations:	30%	50%
* Problems of developing domestic market:	28%	30%
* Excessive entertainment expenses:	21%	20%
* Problems in training local managers & technical staff:	20%	40%
* High cost of goods & materials storage:	13%	20%
* Inefficiency of local government:	16%	30%
* Lack of local knowledge:	3%	20%
* Poor infrastructure:	11%	10%
* Other:	18%	0
* Low production efficiency:	8%	0
* Extra expense of transfer account:	3%	0
* Difficult to get Chinese visas & work permits:	2%	0
* Unstable political situation:	0	0

Even though cash flow difficulties occur in all JAEs, it was significantly more for CJVs, because they firstly deal with dual currencies, and secondly Chinese currency means that the process of transferring funds will be slower due to an inefficient domestic financial system. WJVs will of course experience some variation in cash flow, but mostly after the initial transfer of capital into the venture, when it is necessary to engage in local financial activity. Another significant discrepancy concerns the response of CJVs and WJVs to inefficient laws and regulations in China. In CJVs, the Chinese do not react quite so much, as they are more accustomed it. WJVs lack knowledge of Chinese regulations when faced with a new and unexpected problem. On the whole, hard factors received less concern than soft factors however.

Table 6- 15: Limitation upon transfer of Japanese management methods

	CJV:	WJV:
Economic & business systems differences	51%	30%
Cultures & traditional differences	34%	30%
Language barriers	25%	30%
Politic & social systems differences	24%	20%
Low educational level of employees	16%	10%
Poor co-operation	2%	10%
Other	7%	0

The economic and business systems differences in CJVs are the most pressing for CJVs, whereas WJVs did not consider any one in particular most difficult. WJVs rank the top three restrictions equally, since there is unitary ownership, and the problem of conflict between owners does not arise. Overall, however, venture ownership did not account for any significant differences in the obstacles encountered.

QUESTIONS TESTED

There were few significant differences between the views of WJVs and CJVs regarding the "hard" and "soft" environment. The overall response to Q13 and Q14 is thus:

Q13: In coming to consider the "soft" environment more problematic, WJVs tended to agree with the CJVs. Factors such as cash flow, employee training and legislation in the "soft" environment came to be of more concern than those in the "hard" environment, such as infrastructure. Therefore, JAEs on the whole experience particular "soft" environment problems in China.

7. Summary

CJV and WJV responses were similar regarding investment motives, the former emphasising in particular technology and management skill development. International business strategy was likewise a subject of some agreement between the two types of ventures. To attract JAEs, China considered offering major market access, low labour costs, state support, and raw material supplies, along with a willingness to relinquish power in partner selection. A number of control factors are identified and the scope for conflict identified. A slight majority of ventures were reportedly profitable and would continue in future even when no further investment was to be raised. CJV and WJV views appeared to converge regarding future development plans and possibilities although respective reasons for doing so could vary.

Notes

1. "Interim Provisions on Guidance for Foreign Investment", jointly promulgated by Decree No. 5 of the State Planning Commission, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Co-operation on 20th June 1995.
2. Bai, C. (1995), "The Rapid Development and New Problems of Japanese Direct Investment in China" (*Riben Duihua Zhijie Touzi de Dafazhan ji Mianlin de Xinwenti*), ***Journal of Japanese Studies*** (*Riben Xuekan*). Beijing, No. 1, pp39-48, in Chinese.
3. See Xia, H. and Liu, Y., "The crisis of China's national industry", ***Beijing Youth Daily*** (*Beijing Qingnian Bao*), 23rd May, 1996; Qin, S., "JV home appliance industry tidal wave in 1996", ***The Worker's Daily*** (*Gongren Ribao*), 19th December, 1996; and others; in Chinese.
4. TQC: Total Quality Control.
   QCC: Quality Control Circles.
   5S: Arrange, Rectify, Eliminate, Clear and Educate, so called because these five words in Japanese all begin with "S", such as *Seiri, Seiton, Seisou, Seiketsu* and *Soyou.*
   Kanban: Notice board. Japanese managers use it to show the progress of operations.
5. See Table 7-8 at Chapter Seven for more details.
6. See Case Study at Chapter Nine for more details.
7. Normally, in China so-called "full production stage, means the production capacity achieved has exceeded 80% of the designed capacity.
8. CNSB's sample, made by China National Statistics Bureau in 1994 was based on a sample of 1066.

Chapter Seven

Findings III: The Japanese Perspective

1. Introduction

The importance of studying how different cultural perspectives influence IJV management has already been underlined. For all their close proximity, Sino-Japanese ventures are difficult to understand by other nationals outside. In comparison with their Chinese counterparts, Japanese managers have gained more IJV experience, and can put Sino-Japanese relations into wider contexts when comparing their performance. More specific differences of perspective could then become clear once both Japanese and Chinese managers' respective viewpoints have been sampled simultaneously. In addition to the complete range of respondents, this chapter therefore draws upon 10 leading Japanese managers' own responses to the same questions posed of the larger Chinese management group outlined in Chapter 6. These Japanese were of relatively high-ranking status, and thus some seniority; in addition, their views have been supplemented with more qualitative findings from the 7 other Japanese managers interviewed during the Case Study research programme. Such simultaneous co-sampling of Japanese and Chinese viewpoints will later enable further contrasts and comparisons to be drawn.

2. Investment Motives

Asked to rank possible Japanese investment motives, respondents considered the following items either "very important", or "important" thus:

Table 7- 1: Rank importance for Japanese investment in China (Japanese responses)

	WJV	CJV
Market attraction	75%	100%
Labour costs	75%	83%
State policy	75%	66%
International strategy	50%	83%
Raw material costs	25%	83%

International competition	0	33%
Avoidance of trade friction	25%	0
Other	0	0

Note: WJV stands for Wholly-owned Japanese Venture, while CJV stands for Chinese–Japanese Joint Venture

On the whole, "market attraction" and "low labour costs" enjoyed high with "trade friction" lowest ranked. However, market, labour, international strategy and raw materials related factors were all ranked somewhat more important in CJVs than WJVs. To these Japanese, the main corresponding Chinese motives appeared thus:

Table 7- 2: Why the Chinese chose a Japanese company (Japanese responses)

	WJV	CJV
Technology and equipment	0	83%
Management skills	0	83%
Marketing channels	0	50%
Strong reputation	0	66%
Finance and economy	0	50%
Patent rights and trademark	0	33%
Other	0	0
Access to key material	0	0

Technology and Management were thus most highly ranked, with patent rights and trademarks lowest, implying certain ventures had relatively limited innovative potential from the outset.

2.1. Market Attraction

The "Chinese Market" could be judged in terms of both its immediate condition and future development potential. Three broad types of firm were identifiable in this respect. One saw this market in terms of providing an opportunity for quick profits that did not require much longer-term planned commitment. At the other extreme came those like Kanebo, which expressly sought to establish a "strong foothold"[1] through longer-term commitments. In the middle were firms that, even though did not expect immediate yields, did require a certain degree of profitability in the near future. In the Case Studies, both Matsushita and NEC emphasized both

immediate market condition and longer-term development potential. The long term character of Japanese thought about China was also apparent in historic investigative reports. Such tempered judgement could also have influenced the scale and sophistication of any technology transfers made to meet anticipated market needs. However, what to some Japanese might appear mature and ageing may appear newer and more promising technology to many Chinese, reflecting differing cultural perspectives upon technology generally.

2.1.1 Historical tradition

Since before the Second World War, leading Japanese have envisioned a major role for themselves in the Chinese market, from a particular understanding of Chinese culture, particularly markets. This is not only from Japanese firms located in China, but arises from extensive close investigations often obtainable in Public Libraries throughout Japan. The researcher found many texts related to China in Hitotsubashi University Library. These include data from an investigation in the North East of China, in Manchuria. Aspects of this investigation include agriculture, climate, transport, housing, forestry, mining, industry, population, and religion, which showed just how thorough many such studies were.

2.1.2 Geographical proximity

Because Japan and China are very close neighbours, the movement of materials, goods, and people from one country to the other is rapid. For some Japanese employees, China is a preferred location because, in general, Japanese dislike working further abroad. They prefer China because it is comparatively close, not only in distance, but also they can communicate more easily, follow respective customs and traditions, and adjust more easily. This is a factor specified by the Director of BTQLP Factory thus:

> "Close to Japan, this is a great reason for many Japanese staff choose China to do their foreign country work. For example, flights from Beijing to Tokyo only take four hours, and if we have a holiday over two days, we would have enough time to go back to Japan to see our family. On the other hand, Chinese

culture is also close to Japanese, we can accept them (and their customs and foods) more easily than other countries'."

2.1.3 Economic Factors

Japan allocates to China its older and more established production lines and technology, although many Chinese would not necessarily regard this as obsolete. In recent years, China's development has created a growing market for foreign suppliers. Foreign input is sought for many aspects of the Chinese economy. Many Japanese firms have identified specific technology needs. For example, Matsushita has founded more than thirty and NEC more than ten branches throughout China. NEC set up "NEC China" in 1996, as a holding company for all NEC's business in China[2]. Along with this expansion, NEC China's liaison offices will eventually include Shanghai, Guangzhou and other major cities and the number of employees will be increased.

2.2 Labour Costs

These were undoubtedly important for most Japanese. Case Study Four illustrated this particularly well. It concerned a venture that imported fabrics into China where low labour cost production converted them into garments, which were then re-exported back to Japan. Yet some respondents were also aware that labour costs varied enough within China itself not to be taken for granted in future. Even Chinese wage seeking behaviour was not necessarily considered particularly straightforward. Some Chinese were thought likely to prefer working for lesser wages in their own natively owned workplaces because there were less direct production pressures. Others considered the very process of recruiting Chinese staff was coloured by local as well as business and production related custom and practice as well. For example, a Japanese manager in Case Four expressly claimed that:

"When we recruit new workers, we always meet some problems. For example, some workers quality is not high, but we must still recruit them, because their

> relatives may be working at the Chinese parent company in top management, or our Chinese managers are friends of them or their relatives. We cannot refuse them, for if we do we may face trouble in future."

Little evidence was gained to contradict the belief that the Japanese actively preferred younger aged workforces, leaving the Chinese state with the problem of providing for their older counterparts. Such younger workforces were more likely to have undergone at least secondary education encompassing the "three pillars" (academic, moral, and physical). However, some respondents believed they were more likely to apply its precepts within rather than outside the workplace, and also acknowledged how varied educational standards had proved, particularly those between urban and rural areas, in terms of respect for authority generally. One Japanese manager from Case Four indeed remarked that:

> "My colleagues and I think that the required skills between Japanese and Chinese employees are similar. The only difference is that if an order is given, the Japanese will follow this order to the letter; whereas if the Chinese can find a suitable shortcut, it is very probable that they will take advantage of it. Sometimes, they will miss out something they think is unnecessary, to save material for the firm."

2.3. State policy

As third most important factor, this brought issues about China's official preferential policy into focus, although that has been variously modified since. A number of respondents were sensitive towards what effects any such changes might have. Later official assurances following Deng Xiaoping's death may well have grasped this issue again. One particular respondent from Case Three asserted that "as soon as we grasp a new policy concept, it is discarded; as soon as a policy is confirmed, it is replaced by another". Sensitivity about such apparent policy shifts suggests that these Japanese remained alert towards state related matters generally.

2.4. Raw material costs

While these were less highly ranked than might first have been expected, they were sometimes the subject of considerable prior historical investigation, and ranked more important for joint than wholly owned ventures in particular. It was also possible that, having been more thoroughly investigated beforehand, some Japanese managers believed such costs were more predictable, and thus controllable.

2.5. International strategy

More recent academic literature frequently stresses the actual and /or prospective internationalization and globalization of Japanese business and management. The Japanese state has indeed actively promoted "internationalism" as a required national ethic. In Case Four, greater internationalism was an express objective, while the express objective in Case Two was:

> "Ready to challenge the CPT's international competition with absolute sincerity and unity".
> "To recognise our responsibilities as industrialists, to foster progress, to promote the general welfare of society, and to devote ourselves to the further development of world culture".

Although other nationals might find these very broadly phrased, such objectives were often highly profiled within these ventures themselves, and sometimes publicly recited too.

QUESTIONS TESTED

Set against Questions 1 & 2 these findings can be interpreted thus:

Q1: While the overall composition of Japanese investment motives appears relatively predictable, their exact order of importance can and did differ in its particulars.

Q2: The predicted importance of market, labour cost, and raw material attractions was supplemented with the importance assigned to international and competitive advantage related factors as well.

Q3: As Tables 7-3 & 7-4 below show, there were certain demonstrable similarities with other declared Japanese investment motives across Asia at large. Market and low-cost labour factors were particular priorities, but one should not overlook either technology transfer or culturally related constraints.

Table 7- 3: Japanese investment motives in Asia in two samples[3]

%	Survey in 1985	%	Survey in 1992
41.8	Extend local & other markets	26.3	Support local market
24.9	Utilise cheap labour	15.5	Ensure cheap labour
16.3	Preferential government policy	11.5	Abundant raw material

Source: ***Modern Japan Economics***, No. 3, 1994.

Table 7- 4: Japanese overseas investment motives in two samples[4]

%	Survey in 1984	%	Survey in 1991
27.4	Extend local & other markets	35.1	Ensure local market
19.0	Occupy local product market	15.5	Collect patents & information
8.9	Collect information	12.5	Create network for international production
7.4	Utilise cheap labour	8.3	Ensure & utilise labour
7.2	Import material from Japan	5.3	Preferential government policy

Source: ***East Asian Economy Weekly***, 7 August 1992.

3. Partner Selection

This was judged in terms of how contact was first established and the Chinese market itself monitored thus:

Table 7- 5: Initial business contact

	WJV	CJV
Trade exhibition or tech fair	0	0
Hired consultant	0	17%
Introduction through embassy or other organisation	25%	50%
Direct Chinese solicitation of parent company	0	33%
Chinese business delegation in Japan	0	0
Other	50%	33%

Table 7-6. How did the Japanese monitor and analyse the Chinese market?

	WJV	CJV
Consultants in China	75%	100%
Trips to China to meet officials/end-users	50%	33%
Consultants in Japan	50%	17%
Consultants in Hong Kong	0	50%
Representative office in China	0	50%
Chinese-language business publications	25%	17%
Japanese-language business publications	25%	0
Other	25%	0

In general, first modes of contact among WJVs appears relatively restricted, if not indeed ambiguous; similarly, even CJVs made particular use of third parties, not least consultants. WJVs made little use of Hong Kong based specialists, but used a more informational than relationship based approach.

More specific attention can now be given to traditional, spatial, economic, technological, and labour related factors. Certain Japanese partner selections were broadly influenced through past custom and practice. For example, Matsushita's pioneering Shanghai plant was founded in 1938, then closed in 1946, before a further joint venture was re-founded in the late 1970s, an example duly followed by Sanyo, whose President was that early factory's former Managing Director[5]. Spatial factors were likewise cited in Cases Two, Three and Four, where transport (location within a 150 km radius of an accessible airport for home return journeys), lifestyle considerations (Japanese friendly schools, restaurants and medical assistance), and business facilities (business associations for information/protection), were mentioned. Nevertheless, the

economic profile of potential partners was well considered, not least regarding finance, premises and equipment. More particularly, there was some bias towards Chinese state-owned enterprises being better "guarantors" of partner commitment, although there were some reported differences over technological capability. Any preference for state-owned enterprise partners could be continued into the appointment of party-state officials onto enterprise boards. For example, the first Chair of the Board in Case Two was the former General Secretary of the Beijing City government. As regards to labour quality, long considered to be an important potential Japanese concern, it was formally apparent that age, skill, education, and responsibility were much emphasized. In Case Two one Japanese manager indeed suggested that:

> "We produce qualified people before producing goods, since we firmly believe that people are the key to success. That's why we put a higher priority on training and education. In fact, all of us hold the same objective of high morale under good guidance and implementation of the company's policy."

QUESTIONS TESTED

From the Japanese perspective that process of partner selection was thus tempered in a number of directions, more specifically:

Q4: Financial, technological, material, and relational factors were predictably important, but other features like spatial profile came under consideration, particularly among traditional coastal locations.

Q5: Although relationships with the Chinese state were indeed important, this was not always exclusively so, and other factors like finance and technology also exerted some bearing.

4. Control

This poses sensitive issues for many IJV managements, along with conflict management generally, so both were assigned individual sections within the research questionnaire. Much of the so-called Japanization literature also emphasizes control-related issues, which are also likely to receive particular attention within Sino-Japanese field situations. All respondents were asked to nominate who controlled each individual enterprise department thus:

Table 7- 7: Main department control nationality

	WJV		CJV	
	Chinese	**Japanese**	**Chinese**	**Japanese**
Personnel department	50%	50%	100%	0
Financial department	50%	50%	83%	17%
General affairs	50%	50%	83%	0
Marketing department	50%	50%	83%	33%
Manufacturing department	25%	100%	67%	17%
Technology & equipment department	25%	100%	50%	67%
Secretariat	75%	0	17%	17%

Note: Certain responses show some departments controlled by both sides, and some respondents do not identify any department, hence the percentage cannot add up to 100%.

Such findings suggest that more particular Japanese control within WJVs than CJVs, where Japanese controlled manufacturing as well.

The next issue concerned the sources of influence over enterprise policy making itself. The full findings are displayed in Tables 21A - 21E. Simply summarized, 68% of all enterprises controlled their annual budget, with few instances where both Japanese and Chinese parents also both influenced it. 57% of all enterprises decided their own output and profit targets, 64% their own product pricing, and 72% overall staffing level policies likewise. But, while most such enterprises thereby enjoyed some autonomy, the Japanese were still relatively more influential than Chinese parents, for reasons now considered further.

4.1. Ownership

Table 13 shows few major differences between respective ownership levels. However, having previously specified foreign ownership levels should not exceed 50%, official policy later emphasized minimum 25% levels instead. Hence, in the NEC case for example, the exact level of holding clearly varied over time thus:

Table 7- 8: NEC investments in China

Date	Company	NEC Holding	Location
DEC. 1989	Tianjin NEC Telecommunication Engineering	39%	Tianjin
DEC. 1991	Shougang NEC Electronics	51%*	Beijing
JAN. 1992	Tianjin NEC Electronics & Communications	35%	Tianjin
JUN. 1992	Wuhan NEC Fibre Optic Communications	35%	Wuhan
DEC. 1993	Wuhan NEC ZY Mobile Communication	60%	Wuhan
DEC. 1993	TCL Mobile Communication Equipment	60%	Huizhou
JUN. 1994	NEC-CAS Software Laboratories	90%	Beijing
MAY. 1995	Benxi NEC Communications	40%	Benxi
JUN. 1995	Shanghai NEC Computers	70%	Shanghai
DEC. 1995	Guilin NEC Radio Communications	60%	Guilin
NOV. 1996	NEC (China)	100%	Beijing
NOV. 1996	NEC Systems Integration (China)	100%	Beijing
JUL. 1997	Shanghai NEC Semiconductor	28.6%	Shanghai
JAN. 1998	Xi'an NEC Radio Communications	60%	Xi'an
JUN. 1998	Beijing Hua Hong NEC IC Design	60%	Beijing

Note: Made by the researcher according to NEC News Release data.
*: At the beginning, NEC only held 35%; after 1995 it rose to 51%.

Such data is very much in line with any general trend towards increasing numbers of wholly owned, or near wholly owned, ventures.

4.2. Formal Headship

As Table 20 demonstrates, most Board Chairman were Chinese, while most Presidents, who are expected to be more occupied with daily affairs, were Japanese; indeed, Japanese respondents did not identify any Chinese Presidents as such. Even as Chairmen many Chinese would probably maintain close relationships with the state however. For example, the Chair of the

Shanghai Sharp Company was also Deputy City Mayor. With their particular concern for maintaining "face" through stately relationships, some Japanese might accept this on the basis that their own Presidential role opens other channels of influence.

4.3. Financial management

While this touches upon the performance related matters considered later, Table 19 shows surprisingly restricted direct Japanese control over Finance departments, although they could well have sought more indirect control. For example, it was commonly claimed in the Case Study ventures that Japanese parents were more insistent upon detailed reports than their Chinese counterparts.

4.1.4. Technology

Issues concerning strategic resource control will be discussed in the following sections. Here the Japanese officially stress that only technology appropriate to a country can be transferred. They believe Chinese do not respect the concept of exclusive rights enshrined in patents, trademarks and copyright. Until recently technology transferred from Japan to China appeared relatively established. No large company investigated had set up a research and development (R & D) department in China. However, 16% specified that limited R & D capability was available (see Table 28), all of which was relatively small, often using Chinese technical staff. The Japanese therefore control technology resources, and will only transfer what they regard as necessary, which is not necessarily all the Chinese originally seek. In most JAEs, the Technology and Equipment Department was under Japanese control (see Table 19).

4.4. Technology and Patents & Trademark Rights

Previous literature suggested these were likely matters over which Japanese and Chinese interests could differ. In this respect the Japanese could have obtained considerable potential control over technology development, although few Japanese considered patents and trademarks

important investments either (Table 15). In the Matsushita Case all China based enterprises used its own recognized trademarks, one Japanese manager further remarking that:

> "Not only do we like to use it, but Matsushita's trademark strengthens the competitiveness of JAEs' products and helps these products penetrate Chinese and other international markets. Our Chinese partners clearly agreed with this."

4.5. International marketing

While just over half of all Marketing departments were under Chinese control, 43% were under Japanese control, including international marketing activities in particular. On occasion this could raise issues of trust, so that one Chinese marketing manager observed:

> "The Japanese managers even control retailing for the Chinese market. The Japanese feel that they are under suspicion from the Chinese. Because the Chinese do not have a direct knowledge of the international market, whatever they know they have acquired from the Japanese. This makes us afraid of being deceived."

4.6. Management know-how and enterprise culture transfer

As one means for leveraging control, Table 25 shows that Japanese management methods were specifically imported in 84% of all cases, the "5S" in 70%, "quality control circles" in 49%, and "enterprise welfare systems" in 36%, according to all respondents, with all the cases where no such transfer was reported being small and medium sized enterprises. The entire sample of Japanese respondents emphasized the importance of "on-the-job" training, and 90% "training in Japan", as detailed in Table 26. Overall 78% of all respondents claimed employees to have been trained in Japan, 58% claiming this applied to anything up to 30 individuals, and 20% for periods up to 6 months long. All Japanese respondents considered this enabled further control over their ventures when they were first founded and/or operated later.

5. Conflict

Considering the importance attributed to the transfer of Japanese management methods/enterprise culture it was first important to determine anything that held this back:

Table 7-9. Restriction to importation of Japanese management methods

	WJV	CJV
Language barriers on both sides	75%	33%
Differences between C & J cultures & traditions	75%	17%
Differences between C & J economic & business systems	25%	17%
Differences between C & J political & social systems	50%	0
Low education level of Chinese employees	25%	0
Poor co-operation between C & J staff	0	0
Other	0	0

Perceived language and cultural differences were thus clear barriers, and educational levels and co-operation much less so, with economic and business system differences lying somewhere between. Most Japanese respondents appeared notably reticent about political differences, while also believing that many Chinese did not fully understand competitive market workings, to the extent that a top manager in Case Two specifically instructed such employees that:

> "The management and operation of our company can be compared to the navigating of our own big ship to its destination in a stormy and rough market sea. There is always a chance of sinking. To reduce this risk, we work with maximum efficiency at all times and are on their guard for any signs of danger."

The way some Chinese readily appreciate such 'under siege' images of organisation, where differences must be buried in the face of commonly uncharted risks was particularly revealing. In cross-cultural terms, the ideal of "equilibrium" ("He") is instilled within both Japan and China, except that each subjects it to its own particular sense of meaning, posing other problems for mutual conflict management accordingly. Many Chinese have otherwise favoured personal

relationship ("guanxi") based business dealings which some Japanese could never consider enhancing workplace efficiency.

To the extent that they cannot fully appreciate such relationship factors, those Japanese could face problems when dealing with mutual disagreements. One Japanese manager from Case Four indeed asserted that:

> "Under normal circumstances Japanese employees would not criticise a manager. They would obey even though they disagreed with the order. The Chinese, however, will speak up if they disagree. They are not so reserved."

QUESTIONS TESTED

The overall direction of these particular findings can be interpreted thus:

Q6: Formal top-ranking role differentiation between Japanese and Chinese could have potentially enabling, and also legitimizing, effects for these ventures. However, a certain threshold of trust was necessary before the Japanese could realize full control over Technology/Equipment and Management Methodology transfers for example.

Q7: By increasing investment, the Japanese gained more control within the CJV. This was apparent in NEC and other such companies. The ownership and control relationship remained as predicted: control was acquired through ownership as with WJVs. Control was also sought through strategic resourcing.

Q8: Those Japanese without much Chinese grounding clearly saw more potential management problems and further scope for potential conflict, unless their subsequent socialization helped them learn otherwise. Therefore differing business systems was an apparent cause of conflicts, though economics and politics contributed too.

Q9: Personal, social, and wider cultural differences also created scope for further conflict, which common cultural grounding in Confucian principles might have helped alleviate, except that these could also be interpreted differently too.

6. Performance

This was considered in terms of turnover/profitability, production/market growth, competitiveness, all linked into overall satisfaction per se.

6.1. Turnover/Profitability

As previously stated greater Japanese experience with IJV management generally would suggest they were more potentially calculated about their satisfaction with these ventures. Table 33 indeed shows that 65% considered annual turnover was higher than the year before, with only 10% deeming this either static or declining, the rest intimating that they simply did not know. Japanese respondents in particular underlined higher WJV turnover growth, although in Table 34 36% of all respondents – an appreciable minority – judged ventures to be either breaking even or unprofitable enough to question just how worthwhile turnover growth alone might be. Of those considered profitable, 14% designated this between 8% and 15% of turnover, and 12% in excess of 15% of such. Japanese respondents own estimates of profit were thus:

Table 7-10. Annual Turnover

	WJV	CJV
Higher than the previous year	100%	66%
Similar turnover	0	0
Lower than last year	0	0

Table 7-11. Profit

	WJV	CJV
Extent of up to 3% of turnover	25%	17%
Extent of about 3 - 8% of turnover	50%	17%
8 - 15%	25%	17%
Over 15%	0	0
Break-even	0	17%
Small deficit	0	33%

Once again, therefore, WJVs were notably highly profiled, and considered more potentially profitable than CJVs.

6.2. Growth

As Table 7-12 below shows, WJV capacity appeared most utilized:

Table 7-12. Realisation of full production

	WJV	CJV
Yes	100%	33%
No	0	50%

Table 29 further shows that while most targeted is the Chinese domestic market (77%) is the most targeted, Japan was also in focus (66%), with increasing searches outside both. Differences between types of venture appeared thus:

Table 7-13. Target Market Region

	WJV	CJV
Chinese market	50%	83%
Japanese market	100%	66%
Other markets	17%	50%

N.B. some companies sell to multiple markets, hence the surplus percentage.

This helps explain added Japanese presence within those CJVs reaching towards further foreign markets. As Table 30 also shows, many ventures had gained some autonomy over deciding how they approached the Chinese domestic market, while Japanese parents exerted more influence over foreign markets outside.

6.3. Competitiveness

Table 28 shows that 64% of ventures advertised within China, using newspapers, magazines, television, and event sponsorship in that order of preference, leaving a substantial minority that did not advertise at all. When asked about which factors they considered most crucial to competitiveness, respondents typically emphasized high quality, service backup, low brand price, and top product design.

While the Japanese were also likely to prioritize these in particular, 44% of all respondents stated that product quality was similar to that of their Japanese parents, and 20% possibly better, or still had the potential to improve.

6.4. Overall Satisfaction

The Case Study research in particular suggested that overall satisfaction was tinged and tempered with the recognition that there were still developmental problems ahead. A particular split was found among those who would, and others that would not, raise their investment in future, the division being 56% / 44% respectively. However, 94% would raise output and/or increase their product range, though none reported they would look for another partner. In some respects, therefore, a sense of further, if not continuous improvements, could be inferred from such responses.

QUESTIONS TESTED

Although the time of this research may have influenced these results, they partly differ from parallel studies like Beamish (1993), in that they report relatively more, though still not future assured, overall satisfaction with performance thus far. More particularly:

Q10: WJVs were higher ranking performers in terms of turnover and profit and also achieved such successes faster. This equates with Japan-China Investment Promotion Association 1995 survey results thus:

Table 7- 14: Profit and loss position of JAEs in China

	Da-lian	Bei-jing	Tian-jin	Jiang-su	Shang-hai	Zhe-jiang	Guang-zhou	Shen-zhen	Other	Total
Expect profit	35	37	16	20	50	5	5	18	44	230
More expected	13	6	6	3	17	---	1	4	12	62
Same expected	10	21	7	8	16	---	1	8	11	82
Less expected	8	9	3	4	11	2	2	5	12	56
No answer	4	1	---	5	6	3	1	1	9	30
Change	35	37	16	20	50	5	5	18	44	230
Constant profit	6	9	4	5	19	---	1	7	16	67
Constant loss	12	7	2	3	10	---	3	1	4	42
Loss to profit	11	14	10	5	15	1	---	9	12	77
Profit to loss	---	2	---	---	6	---	---	---	---	8
Balance	2	2	---		---	1	---	---	3	10
No answer	4	3	---	5	---	3	1	1	9	26

Source: Xue, J., "Raising Investment and Withdraw of Japanese Affiliated Enterprises", ("*Ri Zi Qiye de Zai Touzi yu Chezi*") ***Journal of Pacific Study*** (***Taipingyang Xuekan***), No. 4, 1997, pp.62-65.

Q11: To a degree, any overall satisfaction also arises from preplanning, methodical management, and selected performance indicators, but there was still recognizable scope for improvement.

Q12: The performance of most JAEs in China was improving. This investigation reports no withdrawals from China, although it only covers a small percentage of ventures. In reality, from 1979 to 1995, the Japanese did withdraw from some JAEs, but only from 34 projects in China. China is reportedly number 19 on the Japanese investment withdrawal list.[6] This suggests that the Japanese do not feel the need to withdraw from projects in China. In this research, 60% Japanese respondents planned to increase investment; a figure which matches JETRO's 67% (2000)[7].

7. Investment Environment

The distinction between "hard" and "soft" investment environment features was explained before. In terms of "hard" factors, these Japanese were notably critical of Chinese transportation systems and facilities, despite various reported improvements. Table 36 further shows that 40% of Japanese respondents were dissatisfied with their enterprise infrastructure, for example poor water or electrical connections, and subcontractor work, not least in Case Four. Communication capabilities were also found problematic, with not only faxes and computers, but even telephone facilities thus regarded, and postal deliveries judged potentially unreliable. In terms of "soft" factors, those concerning enterprise development, and Japanese management transfer, were acknowledged before, while there were no responses concerning politics, even though managers in Cases Three and Four spoke orally about such. By contrast, Chinese laws and regulations provoked more open comment, one Japanese manager in particular stating that:

> "The Chinese legal system is not comprehensive enough, and where there are laws, they are often ignored. Policies are ever changing and are issued from many different state departments, so we Japanese sometimes find that two sets of policies contradict each other, leaving us wondering which one to follow."

QUESTIONS TESTED

The environment for international joint ventures in China always appears in need of attention. The state of the environment is of direct relevance to locational advantage. The findings for questions 13 is as follows.

Q13: Both "hard" and "soft" factors might first pose problems, while their subsequent improvement did not particularly suffice, and certain "soft" factors like Chinese laws and regulations were later found more problematic than before.

Notes

1. Kobayashi, T. (1994), "Kanebo's Joint Venture in China", ***JETRO China Newsletter***, No. 109, MAR.-APR. 1994, pp.2-9.
2. ***NEC*** (1996),"NEC Established a Holding Company in China",***NEC: News Release***, 96/11/08-01, http:/www.nec.co.jp
3. Source: ***Modern Japan Economics***, (*Xiandai Riben Jingji*) No. 3, 1994, in Chinese.
4. Source: ***East Asian Economy Weekly***, (*Toyou Keizai Shukan*) 7 August 1992, pp.7-16, in Japanese.
5. Wang, Z., "Sanyo Investment in China", ***Investment of Transnational Corporations in China***, (*Zhuming Kuaguo Gongsi Zai Zhongguo de Touzi*) Beijing: China Economic Press, 1996, pp.315-30 , in Chinese.
6. ***The General Survey of Japanese Affiliated Enterprises in Oversea, 1996 version***, (Kaigai) Tokyo: Easter Asian Economy Press, pp.12.
7. JETRO, "Survey of Japanese Manufacturers in China – Results of Questionnaires", No. 147, Vol. 4, 2000, pp.13-17.

Chapter Eight

Discussion: How the Chinese and Japanese Compare

1. Introduction

The last two chapters dealt with both the Japanese and Chinese perspectives. This research differed from others in a number of different respects. Firstly it encompassed the whole process from partner selection to eventual venture performance. Secondly it compares Chinese and Japanese perspectives with respect to the following five categories. Motives: market attraction was more important than low labour costs and state policy for the Japanese, whereas technology and management skills transfer were more important than just capital and international marketing alone for the Chinese. Partner selection: the results were in line with previous research concerning historical, economic and relationship factors in partner selection, while geographical factors were also important. Control and conflict: this study extended previous research regarding the whole process of control with respect to departmentalization, decision making, ownership, key managers, strategical resources and overall enterprise culture. Performance: this study encompassed both Chinese and Japanese views about profit, growth, competitiveness and hence overall venture satisfaction. Environment: by distinguishing the "hard" and "soft" investment environment this research found growing concern with "soft" rather than "hard" factors, although the Chinese ranked this somewhat differently to the Japanese. This further chapter therefore will seek to explain if and why Chinese and Japanese perspectives differ in this research with regard to possible historical, political, economic, and in particular cultural and personality influences.

2. Motives

Respective rankings can first be compared thus (see Table 8):

Table 8- 1: Relative importance of JDI for China

Factors:	Chinese:	Japanese:
Technology and equipment	65%	50%
Management skill	44%	50%
Marketing	41%	40%
Strong reputation	34%	40%
Finance and economy	23%	30%
Patent right and trade mark	13%	20%
Not known	10%	40%
Other	13%	0
Access to key material	4%	0

Both Chinese and Japanese identified "technology and equipment" and "management skill" as main reasons for JDI. It was only in their response of "not known", that the Japanese were otherwise markedly different. Respective responses with regard to the motives of JDI in China compared thus (see Table 8):

Table 8- 2: Why did the Japanese seek a Chinese partner?

Factors:	Japanese:	Chinese:
Labour costs	80%	82%
Market attraction	90%	79%
State policy	70%	66%
Raw material costs	60%	49%
International strategy	70%	49%
International competition	30%	25%
Other	0	10%
Avoidance of trade friction	20%	6%

Both therefore considered labour cost and market attraction important, but where the Japanese considered market attraction more important than cheap labour, they differed over international business strategy. Nevertheless, both ranked state policy more important than raw material costs, making this the third most important factor. Five specific points about Chinese motives are now considered:

2.1. Historical Influence

When Matsushita Company founder Konosuke Matsushita first visited China, he talked with the Chinese leaders about the necessity of foreign trade, particularly FDI, on the basis that further transfer of foreign technology and management know-how would be more valuable than merely importing foreign products[1]. A Japanese manager from Case Two said that:

> "Mr. Matsushita was very interested in China. He thought that China would have the largest influence on the development of Asia and the world. Also he twice visited China, in 1979 and 1980. He told many Chinese leaders that it was not enough only to import equipment and technology from Matsushita, because management know-how would be more important than equipment."

Officially the Chinese leaders were said to accept this view, which others had also advised, but were still less strongly motivated to form JVs in fear of a "foreign economic invasion", and even being overwhelmed by "western capitalism". As Pearson (1991) observed, in the late 1970s Chinese leaders were concerned about FDI's potential negative impact, and restricted economic re-entry[2], referring to their "open door" and economic reform policy as "crossing the river by feeling the stones underfoot"[3], implying an essentially cautious, incremental approach.

The Japanese, however, planned to re-enter China and secure their foothold in key markets, particularly during the mid-1980s when the value of the Yen rose. The Japanese would indeed transfer more capital to international markets. Data from the Japanese Finance ministry shows that FDI value increased from US $49.22 billion in 1978-84 to US $227.15 billion in 1986-90, rising about 4.6 times. The Yen's sharp rise gave impetus to widen the investment target from the US and Western European across more Asian economies [4] as well. In this period, the relative intensity of any Japanese motives towards possible JVs appeared significantly higher than the official Chinese[5].

Over twenty years later, the Chinese have encountered both advantages and disadvantages. Their managers have acquired more skills to manage JVs, but even now, there are still official

leadership anxieties about excessive foreign capital undermining the national economy[6]. No matter what is officially declared there may still be mixed motives in this respect.

2.2. Political Influence

Japanese motives relate to the Chinese market, to secure a strong foothold and alternatively to increase influence over China, and thereby protect its leading status in Asia[7]. 74% of Japanese parent companies and 89% of JAEs studied here were in manufacturing sectors. It is significant to note that upmarket Japanese global investment in financial and services sectors in North-America and Europe was coupled with lower level manufacturing investment in Asia. 70% of Japanese respondents believed that state policy helped them invest in China, which only ranked after market attraction (90%) and low labour costs (80%). However, when compared to the Japanese, Chinese politics appear more influential. For example, apart from their economic motives, the Chinese's JV motives were also subjected to central and local government influences, and the national Five-Year Plan process[8]. One task set by the Fifteenth National Congress of CPC in October 1997 was to continue to attract FDI in terms like: *"We shall use foreign capital actively, rationally and effectively"*[9].

2.3. Economic Influence

Given their own domestic economy it was predictable that the Japanese ranked profitability highly. As a consequence, Japanese managers looked for extensive markets, low labour costs and low raw material costs[10], to increase profitability for their parent company. 90% of Japanese respondents considered that market opportunity most attracted them to China, followed by 80% low labour costs, and 60% raw material. For the Chinese, the situation was more complex. 65% of Chinese respondents rated technology and equipment, 44% management know-how, 41% access to international market and 23% capital access highest on their agenda. On the other hand, Chinese managers may share a common outlook towards forming a joint venture, but differ over subsequent stages of implementation. Central government may look on a joint venture as an investment opportunity and local government may use this to their advantage to develop the local economy and to increase their power with the centre[11].

The Japanese exerted considerable economic influence, 62% of JAEs chose 11-20 years for co-operation and Japanese ownership was rising more than before (see Table 7-3), with more firms looking to found wholly-owned enterprises[12]. All these could potentially increase Japanese economic influence. The Chinese partners were mostly state-owned enterprises (59%). Neither these nor JV enterprises are in any way owned by the managers, which reflects the prevailing Chinese mind-set.

2.4.Cultural Influence

Chinese cultural influence on motives was comparatively stronger than Japanese. As well as restructuring their economy, they also intend to learn about technology and Japanese-style management, which can include the way "Japanese enterprise culture" works. The main Chinese motive was to transfer Japanese technology (63%) and management skills (44%)(see Table 9). 84% of respondents replied that they had imported special Japanese management methods, such as QCC, 5S (see Table 25). Even as the Chinese were striving conscientiously to learn Japanese-style management, they were, in actuality, re-learning partly from themselves, or at least from their historic past. Some critics consider that Chinese-style philosophical management thought was exported overseas and has now returned. Undervalued native Chinese ideas were imported by the Japanese, who reconstructed them, and now they are returning to China at a higher price[13]. It is further said that the Chinese now deliberately put higher value upon foreign things, to the extent that "the foreign moon more round than the Chinese".

2.5. Personality Influence

In the early stages Chinese managers place particularly high value upon discernible motives for founding ventures, and seek to understand them as a kind of intelligence puzzle, whereas many Japanese extrapolate towards eventual operating problems, as the feasibility study in Case One demonstrated. Under the influence of "mamafufuism" Chinese may approach these problems more loosely than methodically.

3. Partner Selection

Compared with the Japanese, the Chinese were initially more passive in partner selection. despite its importance to joint venture success. The several issues stating partner selection were thus.

3.1. Historical Influence

Japanese companies had a wider potential choice in partner selection than Chinese, who were initially very experienced at this process but needed to learn from experience. Japanese management had developed its own particular understanding of China, even before joint venturing, and had thus accumulated empirical studies, both before World War II and after 1979[14]. The Japanese were therefore unusually informed about possible choices, while the Chinese officially plan to seek business with foreigners, including the Japanese. In short, the Japanese enjoy more potential advantages regarding original partner selection[15]. 40% of Chinese and Japanese respondents had over 20 years, and 26% between 11-20 years background experience. However, most Chinese had only worked within native enterprises, whereas more Japanese managers interviewed had worked outside as well as inside Japan, making them more sensitive towards issues of partner selection compared with their relatively inexperienced Chinese counterparts.

3.2. Political Influence

While partner selection was still under political influence the Japanese could have more scope for partner choice. When asked how initial contact was made, 26% of total respondents answered through their embassy (see Table 10). 59% of Chinese partners were state enterprises, which the Japanese may consider offered political reassurance, while the Chinese authorities likewise prefer alliances they can control. Chinese firms, when selecting a partner, are expressly advised by the state to refrain from joining any "non-friendly" partners, and there are prohibitions upon joint ventures which may damage national sovereign rights, and violate national laws, or are not in conformity with national economic development[16]. For political reasons China also prohibits

certain foreign investment in politically and ideologically sensitive areas such as newspapers, publication, broadcasting (both radio and television), post and telecommunication[17], although the exact sectors are being reconsidered as part of the WTO process.

3.3. Economic Influence

The Chinese may first have to partner certain firms because their own managers initially seek transfer of technology and management skill[18]. Secondly, most Chinese managers originate from state enterprises, which exert different ownership pressures. Thirdly, where Chinese managers lack economic knowledge, they cannot fully appreciate their partners situation from that angle. On the other hand, even if the Chinese strongly influenced partner selection, they may have less choice then the Japanese. A Chinese manager from Case One said that:

> "The parent company has 40 factories. Most of them wanted the chance for the JV to improve themselves, but only we had the opportunity. Japanese firms have a much wider choice."

The Japanese have strong potential economic influence in this respect, more opportunity to identify partners, and thus a larger range of partners to select from. As noted earlier, there are proportionately many more Chinese firms willing to enter into joint ventures. Furthermore, Japanese industry is a global investor which has gained much experience in cross-cultural co-operation, and partner selection generally. Similarly, 47% of Chinese parent companies' employed over 500, but 81% of JAEs employed under 500, implying the Japanese are used to choosing large scale partners to do small scale business in China in particular.

3.4. Cultural Influence

The Japanese therefore had particular potential strength in partner selection. However, differences were still found on both sides. As discussed before, the Japanese not only look at the "hard" environment, but also pay attention to the "quality" of Chinese employees such as education, and technical skills. For example, Chinese managers from all four cases considered

their employees' education level to be higher, and the average age lower, than in their parent companies. The Chinese would often prefer the Japanese partner to be: respectful/friendly, and have real willingness to help the Chinese develop and improve. Normally, a Japanese firm would like to select the partner directly by themselves[19], but Chinese firms often depend on a third party to find partners. As described by a Chinese manager from Case One, central and local authorities can help a parent company find Japanese partners, while the Japanese visited several times before signing any agreement. Since the Chinese rarely visited Japan, they lack the resources to find partners by themselves, and also lack outside experience and business links, and even resort to consider partner selection to be like marriage, which their parents traditionally arranged.

3.5. Personality Influence

Here Chinese influence appears limited because of the lesser range of choices available and personality characteristics, which restricts how they search and investigate possible partners. A simple unquestioning belief in Japanese technology will not therefore prevent some dated technology being transferred into joint ventures in situations where Chinese managers do not fully investigate beforehand. By comparison, the Japanese did investigate first and 52% of total respondents claimed they used consultants beforehand, and 44% had met Chinese officials and end-users as part of their prior investigation, whereas the Chinese managers in the case studies rarely conducted similar investigations.

4. Control and Conflict

Shared control is generally perceived as enbracing both partners together. Often partners control those aspects over which they have the most expertise, that being a respected source of power in itself. The control of JAEs in China can be divided into four areas, namely ownership, leadership, human resource management and strategic resourcing. What was the scope for conflict in joint ventures? Here, it was found that contrasting cultural backgrounds could underscore possible conflicts, despite other similar values: homogeneous beliefs; collective achievement; maintenance of public face, and so on. Certain potential bases for differences and conflict are now discussed.

4.1. Historical Influence

The Chinese authorities originally sought tight official control over all JVs. Two much quoted reasons were considered: the balance of ownership forces, and the possibility that their ventures would spread 'capitalist culture' across other spheres as well.

However, where the Japanese sought further control, they also encountered ideological and business differences. Until recently the Chinese authorities seemed less concerned about the exact proportion of ownership, provided there was no loss of majority control, and neither is there the same official concern about capitalist culture. On the other hand, the Japanese have gathered additional working experience in China, and have developed further means for controlling more JAEs themselves. In this research 74% of JAEs were joint, 7% co-operation and 17% wholly Japanese owned ventures. The latter were more numerous than at the original stage (1979-83), and still increasing. For example, NEC has established 15 ventures in China, its ownership clearly increasing over time (see Case Three).

In the beginning, the Chinese wariness of capitalist culture, and unfamiliarity with the Japanese style of business was undoubtedly problematic. As Shen (1982) indicated, "we can co-operate with capitalism economically but, politically and ideologically, we should by no means accept decadent capitalist elements"[20]. However, as time progressed, the balance gradually shifted towards the Japanese once they gained more detailed control. A particular feature of the balance of power came from Japanese control over international market networks. For example, a Chinese manager from Case Four said that:

> "The international markets are all controlled by the Japanese, and even in the Chinese domestic market Japanese managers have monitored Chinese sellers to the main markets very closely."

4.2. Political Influence

Both the Chinese and the Japanese could potentially exert relatively strong control. Japanese concerns about political influences appear linked to motives regarding market access and increasing influence over China generally[21]. These results suggest the Japanese had most control over technology and equipment (54%), production (49%) and marketing matters (43%). Considering there were 20% of JAEs where there was no Japanese staff, these percentages appear high. The Japanese may therefore carefully select those main departments which will help them to achieve their strategy, while recognising the Chinese will ultimately exert political control. Although branches of the CPC were not independently stationed in JAEs, as they have been in state enterprises, followers of the CPC do exist in JAEs, and could become top managers, formally obliged to maintain the party's political influence. On another level, the Women's Federation, the Youth League and the Trade Union are all affiliated to the CPC[22]. These results show that Chinese nationals control personnel (86%), general affairs (73%), and secretariat (60%) departments in JAEs, which should enable some political influence to continue (see Table 19).

Potential conflicts exist regarding both partners' political influences. Some Japanese are suspected of "great-power chauvinism", which may lead to powerful prejudices against the Chinese. A Chinese manager from Case Three said that:

> "The Japanese sometimes appeared to be arrogant. Chinese employees do not like to work with them when they think there is nothing special about the 'little Japanese' (normally the Japanese are shorter than the Chinese, who are called 'little' condescendingly)."

Conflicts also occur over CPC influence. Some Japanese maintain that it is not necessary to bring such influence into the workplace. A Japanese managing director from Case Four said that:

> "Sometimes the Chinese parent company asked employees to undertake political activities. For example they asked some top Chinese managers to attend a political

training course. This was judged not good for the company's day-to-day operation. On the other hand, Chinese managers controlled the personnel department, and some of their relatives and friends entered the company through the "back door". These employees proved difficult to manage."

4.3. Economic Influence

The Japanese also exert considerable control over JAEs through ownership, key managers, strategic resources, and technology. In comparison, Chinese economic influence appears weaker, and more closely protected. Furthermore, many Chinese lack market knowledge, and an organisational network to exert control. The results showed that:

Table 8 -3: Control in JAEs

Investment forms (see Table 15)

Cash:	Chinese	57%
	Japanese	**90%**
Machinery & equipment:	Chinese	23%
	Japanese	**44%**
Management know-how:	Chinese	2%
	Japanese	**31%**

Departmental control (see Table 19)

Finance:	Chinese	79%
	Japanese	**26%**
Technology & equipment:	Chinese	35%
	Japanese	**54%**
Production:	Chinese	54%
	Japanese	**49%**
Marketing:	Chinese	62%
	Japanese	**35%**

(international market entirely Japanese controlled)

Chairman of the Board & President (see Table 20)

Chairman:	Chinese	65%
	Japanese	**35%**
President:	Chinese	44%
	Japanese	**56%**

Main policy source (see Table 21)

Rank	1:	JAE itself
	2:	JAE & Japanese parent
	3:	JAE & Japanese & Chinese parent
	4:	Japanese parent alone
	5:	Japanese & Chinese parent
	6:	JAE & Chinese parent
	7:	Chinese parent alone

Considering there were 20% of JAEs with no Japanese staff, this suggests quite considerable Japanese control. Certain Chinese managers may indeed accept this and prefer that Japanese managers exert control, as in Case Two, where it was said:

> "The Japanese have more power, and also more responsibility, and we would like to support them to carry out their advanced operation thought in developing our company."

A difference in perspective can create difficulties within the firms, but differences over economic principles could pose special problems. 44% of all respondents further considered that different economics and principles restricted Japanese management and technology transfer (see Table 37). One Chinese manager from Case Three said that:

> "We tried to accept more Japanese methods, but sometimes this was really difficult. For example, some products did not achieve the first level of quality, and the Japanese manager asked for them to be thrown away. However, the Chinese employees thought it was a second level product, and could still be sold at a low price, so why waste it?"

4.4. Cultural Influence

The Japanese are considered more group-orientated at work. This springs from their traditional concept of "Wa", which means harmony, peace, and tranquillity are pre-eminent concerns. Under this concept an individual standing alone is incomplete and can find fulfilment only by

lending his personal will to the needs of his society[23]. Although minor contradictions will always occur among fellow workers, Japanese employees working in JAEs are commonly considered a very close group. Chinese culture is often referred to as "collectivism", but even within groups there is scope for subtle expression of individualism. Collectivism arises from the Chinese traditional concept of "He", which means harmony, peace and tranquillity. "He" and "Wa" share the same Chinese character, same concept, same source (all derived from *Confucianism*), and are only pronounced differently in Chinese and Japanese language. Chinese employees who work in JAEs cannot appear to unite like Japanese. 78% of JAEs sent employees to Japan for training, and 84% had imported special Japanese management methods, thereby extending prospective Japanese cultural influence (see Tables 27,25).

Any scope for differences and conflict can be associated with: 1) the strength of the Japanese *corporatism* and outbreaks of *individualism* within Chinese *collectivism*; 2) the national cultures of the two countries; 3) the Japanese governed market ideology and the Chinese socialist market ideology; 4) any Japanese public tolerance for other ideologies which absorbs new knowledge more easily than the Chinese. All these cultural differences could accentuate the scope for difference and conflict in JAEs. 36% of all respondents considered that cultural differences and tradition restricted the transfer of Japanese management methods; 28% and 21% considered language barriers similarly obstructive; 22% considered it difficult to train local staff. 15% thought the low education level of Chinese employees presented some difficulties, and 6% deemed local "worldly wisdom" problematic (see Tables 36, 37, 38).

4.5. Personality Influence

Here the basic Japanese notion of being thorough and methodical enabled their managers to gain a degree of everyday control. Moreover some Japanese believed their Chinese counterparts were naive when imitating their approach. For example a manager in Case Three claimed that those Chinese who actually did so, wrongly believed they would soon rise to the top of the hierarchy when usually they lacked the exact "attitude" required. He did not believe there were many unique qualities in Japanese management methods, except that they were very suitable for the

Japanese, but others would find them difficult. With their strength in accuracy, discipline and aptitudes the Japanese created scope to increase their detailed control over JAEs operation.

However, the native view is that when either a meticulous Japanese works with a "mamafufuism" Chinese, or when a conventional Japanese works with a creative Chinese, or a 'quick action' Japanese works with a 'slow action' Chinese, some differences and conflicts invariably result. In general, sharper conflicts arising between Chinese and Japanese were commonly attributed to contrasting cultures and economic differences. However, these detailed personality differences should not be ignored.

5. Performance

The responses suggested that production, marketing, technology and management transfer were critical to performance, overall satisfaction being the most decisive, but profitability, growth and competitive assessments also influencing how performance was regarded.

Profitability

Using the same four levels of satisfaction about annual turnover as before, overall profitability was considered reasonably satisfactory, especially when ventures increased their profit from the previous year.

Table 8- 4: Chinese & Japanese responses about annual turnover

Higher than last year:	**Chinese:**	**Japanese:**
1-5%	3%	0
6-10%	8%	0
11-50%	30%	40%
Over 50%	23%	40%
Similar	6%	0
Lower than last year:		
1-5%	0	0
6-10%	0	0
Over 10%	6%	0
Not known	24%	20%

Table 8- 5: Chinese & Japanese responses about profit (as percentage of turnover)

	Chinese:	Japanese:
Profit	63%	60%
Under 3%	14%	20%
3-8%	23%	20%
8-15%	13%	20%
Over 15%	14%	0
No profit	18%	20%
Little deficit	18%	20%
Big deficit	0	0
Balance	17%	20%
Not known	1%	0

There were many similarities between Chinese and Japanese responses, although the Japanese believed "annual turnover" had increased more. Furthermore, in this research, 70% had reached the full production stage (see Table 22).

Growth

Overall Japanese responses regarding the realisation of full production, the marketing region, and sales in and outside China, were similar to Chinese responses. However, there were still differences thus:

Table 8- 6: Chinese & Japanese responses on realised full production stage

	Chinese:	Japanese:
Realised 1-5 years ago	68%	40%
Realised 6-10 years ago	6%	10%
Realised over 10 years ago	0	0
Will reach after 1-3 years	21%	40%
Will reach after 4-6 years	0	0
Not known	6%	10%

Table 8- 7: Chinese & Japanese responses on sales to China & other markets

In China sold by:	**Chinese:**	**Japanese:**
Japanese parent	6%	0
Chinese parent	6%	0
JAE itself	80%	90%
Other Chinese company	1%	0
In other market sold by:		

Japanese parent	65%	80%
Chinese parent	4%	0
JAE itself	30%	50%
Other Chinese company	1%	0
Other Japanese company	4%	20%

Both the Chinese and Japanese saw possibilities for growth in future. The Japanese gave more attention to possible problems en route. Although the Chinese were relatively concerned about these future difficulties, they will put more emphasis upon possible rewards, especially compared with state employment type alternatives.

Overall Satisfaction

Both partners categorised their overall satisfaction as "good" even where they believed further improvements were possible. From the results of the questionnaire, all JAEs will continue in the near future, but less than half would raise investment. Others would increase the range and volume of production instead. Most Chinese believed they would continue with the same partner.

Table 8- 8: Chinese & Japanese responses about venture development

		Chinese:	**Japanese:**
Increase investment:	Yes	42%	60%
	No	58%	40%
Increase output & range of products	Yes	93%	100%
	No	7%	0
Continue co-operation	Yes	90%	100%
	Not known	10%	0

When asked about further development the Chinese appeared less convinced than the Japanese, because therefore lack the ability to increase investment, and have much less experience of IJVs. Although the Chinese criticised the Japanese as unwilling to transfer advanced technology, they still received some comparatively advanced technology, although only 16% considered that to be research & development technology (see Table 24). In addition three cases indicated production technology was transferred from Japanese parent companies and, although Case Two transferred some relatively advanced technology, the two other cases suggested only existing technology was transferred. 70% used "5S" and 49% chose QCC management methods (see Table 25).

Table 8- 9: Japanese management methods imported

	Chinese:	Japanese:
5S	69%	80%
QCC	46%	70%
Enterprise internal welfare system	32%	60%
Enterprise length of service system	27%	50%
Other methods	10%	10%
No import	11%	0
Not known	6%	0

Chinese responses appeared relatively less convinced than the Japanese, were less reasonably satisfied with overall performance, and believed their efforts disproportionately benefitted the Japanese. On the other hand, when they categorised their overall satisfaction as "good", some Chinese may have compared JAEs with Chinese parent companies, a comparison which could present them in a better light. The Chinese and Japanese both dislike losing face. So, where the Chinese act as host to welcome Japanese investment, they feel obliged to present a pleasant atmosphere, whereas hosts they do not express anxieties about the venture, as this would seem to them to be impolite.

5.1. Historical Influence

The Japanese methods for improving JV performance were more advanced than Chinese. Several factors contributed to this. The Japanese set higher than usual targets for China. They did once seek to persuade the Chinese authorities of the benefits for their entire national economy. In contrast the Chinese were still at an experimental and exploratory stage where there were doubts about eventual success. The situation has since developed and the Chinese authorities are less doubtful and seek to improve performance as much as possible themselves. The Japanese still intend to improve, but can appear less concerned with immediate than long-term performance. One manager from Kanebo Ltd simply said:

> "I wanted to set up a venture there, no matter how small, which lay deep roots in its soil, rather than just export technology or plant."[24]

Also Case Three shows that Matsushita likewise looked towards long-term performance in China. 63% of JAEs were considered to have obtained some benefits and 43% would increase their investment before the Asian crisis intervened.

5.2. Political Influence

The Chinese appear to exert greater political influence over performance, in terms of attracting more foreign investment later, while justifying the present official structure. Chinese managers from Cases Two, Three and Four all highlighted the official importance of performance. A Chinese manager from Case Two said that:

> "This influence was not only from local but also from central authorities. This was particularly true since the Prime Minister visited the firm to give hope to employees. Staff experienced political pressure to achieve satisfactory performance in responses."

Similarly, many Japanese sought to report good performance to their parent company to gain a 'good reputation'. 62% of JAEs had chosen 11-20 year co-operation agreements. Many manufacturing companies were at a stage where they considered they soon could obtain profits, and 11-20 years was judged an ample term to recoup investments.

5.3. Economic Influence

Both partners have other potential influence over performance. Chinese managers aspire to satisfactory performance levels for national related reasons, in terms of the "open door" policy and economic reform[25]. The Japanese seek satisfactory enough performance to sustain their own national economic standing where this is a firm slogan. 98% of JAEs were already in operation with 70% at full production stage. Even firms like Matsushita, and Kanebo did not expect any immediate short term profit, but did expect it in future[26]. 63% of JAEs were considered profitable, 91% would continue to co-operation, and 94% would increase output, and 44% investment[27].

5.4. Cultural Influence

Confucianism's "Harmony" ("He" or "Wa") and Western management know-how all effect to make managers performance conscious. The Japanese have variously inherited and absorbed these. For example, when top and middle managers and employees all embrace "Wa", they make ideals of excellence, co-operation, and loyalty between each other. On the other hand, face is a special concept in both Chinese and Japanese culture. People say having "face" means having a high recognition status in the eyes of peers, which is a mark of personal dignity[28]. The Chinese and Japanese are normally sensitive about face in social and business life. Face can be given, lost, taken away or earned. If business performance is judged good, people seeking face respond, for poor performance leads to loss of face instead, but there are certain differences: the Chinese are normally much more concerned about the face of their family and themselves, but Japanese are concerned about face, in terms of themselves and society. The Japanese see the enterprise more collectively, and do not like to lose face in front of the Chinese. Further, in the Chinese transitional economy, they do not yet use the "He" of *Confucianism* in a way that will absorb Western management know-how well, so cultural influence over performance leaves them considerably weaker.

5.5. Personality Influence

Chinese managers are concerned with motives and performance for what they see as both intellectual and temperamental reasons. Even when reporting actual results they may filter out the least favourable factors because of the loss of "face" that may arise from these being more widely known, while any sense of inferiority may also embrace both their families and other organisations too. However, the Japanese approach is considered more direct and methodical, and less bound by wider social customs, so to safeguard their face, some Chinese will gloss over mistakes, where the Japanese do not[29].

6. Environment

Dividing this into "hard" and "soft" the main features to arise were thus:

Hard Factors

The Japanese originally considered this would be most problematic. Many Chinese were sensitive to these issues too. However, there were still some differences. For example, when asked "what were the problems in your enterprise's development?" 11% of Chinese and 40% Japanese respondents replied "poor infrastructure" (see Table 36). In the case studies, Chinese managers interviewed appeared quite satisfied with the working environment. In Cases Two, Three and Four, my Chinese guides all indicated that their current workplace was better than before, although further improvements were needed. Chinese and Japanese standards of assessing the hard environment could well have differed due to their respective backgrounds. What to some Chinese may be advanced, to the Japanese appears simply ordinary. These different levels of appreciation occur especially where technology and facilities are concerned. "Mamafufuism" also contributes to the concept that nearly or almost is enough, a possible contradiction for many Japanese, for whom greater precision and exactitude are required.

Soft Factor

Although both partners first identified the hard factor as most problematic, they later found "soft" more difficult. Other evidence shows differences between Chinese and Japanese below:

Table 8- 10: Problems in the course of enterprise development

	Chinese:	**Japanese:**
Ineffective laws and regulations	32%	60%
Problems over developing domestic market	27%	40%

(Table 36)

Such evidence suggests these were more serious problems to the Japanese and that lawfulness remains a sensitive point still.

Table 8- 11: Transferability of Japanese management methods

	Chinese:	Japanese:
Economic & business systems differences	48%	20%
Cultures & traditional differences	35%	40%
Language barriers	25%	50%
Political & social systems differences	24%	20%
Low educational level of employees	15%	10%
Poor co-operation	3%	0

The Chinese identified more economic and business systems blockages where Japanese emphasised language barriers. Both considered culture and traditional differences relatively restrictive, although education levels were not considered problematic, and poor co-operation even less so. In essence, "macro" factors would appear more problematic than "micro" factors in the workplace values and significant issues over the transferability of Japanese management methods at this time.

6.1. Historical Influence

Some Chinese officials believed the "soft" environment better for JVs than for Chinese enterprises themselves. Such officials believed they originally took the standard of the environment they have to offer into consideration when selecting a compatible partner[30], while continuing to improve individual "hard" and "soft" environment factors. However, many Japanese believed Chinese standards were still not fully acceptable, despite those recent improvements.

Generally the "hard" environment has improved more quickly than the "soft" in China, since "soft" factors such as laws, policies and especially ideology were considered more difficult to change. JAEs here reported most difficulty with managing cash flow (56%) while laws and rules were still difficult to apply (36%), and it was still difficult to penetrate China's own domestic market (30%). Retrospectively, two factors underwent limited change, namely: investment environment and partner selection. The Chinese exerted stronger influence on the former, but less regarding the latter. However, on the three other aspects, there was change; the Japanese were no longer as strong on motives to form JVs and performance, but had gained influence

regarding control and conflict. The Chinese arguably showed three particular potential strengths - motives, environment and performance, leaving the Japanese with two - control and conflict, and partner selection.

6.2. Political Influence

Chinese political influence was mostly apparent regarding "soft" features, such as laws, regulations and policies. As previously noted, Chinese policy regulation is liable to vary[31]. This instability can be the result of power struggles and related events. 36% of total respondents considered Chinese laws and rules inadequate (see Table 36) and 23% considered they restricted the transfer of Japanese management methods (see Table 38). Compared with the Chinese, the Japanese political system appeared weaker in this respect, although the Japanese also politically influence partner relations in the JVs; some Japanese managers' political beliefs conflict with Chinese, thereby affecting partner relationships.[32] The policies of China's transitional economy can permeate JV enterprises through political organisations such as CPC's branches, Trade Unions, Youth League and ideological activities such as political studies, all in a way that does not customarily apply in Japan today.

6.3. Economic Influence

The "hard" environment certainly influenced the Japanese. 15% of total respondents considered the infrastructure imperfect, although the Chinese were less critical (see Table 36). In terms of "soft" environment, 57% of total respondents considered cash flow, and 36% laws and rules were inappropriate. While 28% reported domestic market difficulties, and 22 and 21% considered it difficult to train local people and incurred excessive entertaining expenses, while 19% considered local government inefficient (see Table 36). However much the Chinese may seek "soft" environment improvements for economic purposes, their political involvement limits them from bringing this about.

6.4. Cultural Influence

The Japanese have selectively absorbed other cultures and then created their own distinctive Japanese-style enterprise culture. Corresponding Chinese culture is still at the so-called transitional stage. Such "cultural gaps" caused further difficulties: for example, Cases Two, Three and Four all sent employees to Japan for training. To explain the reason one Japanese manager said that:

> "The first stage to is send them to Japan to learn technique and management skills, the second is let them know the different quality of environment including enterprise culture in our Japanese company."

Because Chinese-style enterprise culture has not yet fully developed, Chinese cultural influences were limited. Since 1979, the Chinese authorities started the "anti-political" culture movement, which would lead to a more "business ideology", a transition that is still under way. In these circumstances China lacks one mainstream culture, hence the perception of policies diverges accordingly. So the modern Chinese enterprise system is intended to have a legal basis, but Chinese culture has little legal tradition and even though the state has passed more laws, there is no proven tradition of abiding by such.

6.5. Personality Influence

Many Japanese may be expected to be more precise about the "hard" environment and have higher expectations about it. Only 11% of Chinese managers considered infrastructure problematic as against 40% Japanese managers (see Table 36). One particular Japanese manager in Case Four emphasised that:

> "The transportation system is comparatively out of date. It is often slow and lacks modern facilities, with much time wasted in waiting. Some buildings have poor quality construction, and very often water and electricity has not yet been connected

when the operation begins. Communication is far behind developed countries, even the post was slow and inefficient, while many business opportunities are lost through communications problems..."

Similarly the Japanese were more detailed in their appreciation of "soft" factors and went well beyond the minimum guidelines which Chinese managers typically considered most important. To summarise, such influences did potentially permeate JV practice, and indeed may have eventually led towards the creation of more wholly owned ventures, but their exact role clearly requires more research.

7. Summary

We have discussed a variety of influences on the development of JAEs. The discussion of each historical, political, economic, and cultural and personality aspect was, in the body of this chapter, limited with respect to the theoretical model and questions posed. In terms of history China is still a more politically orientated nation where there is such sensitivity to related matters that few are willing to be questioned about it. The Japanese have more business cultural influence in this respect whereas Chinese business cultural development has lagged behind. Chinese culture is now in a transitional period where influence is potentially weaker than Japanese culture in this respect. Unlike previous studies, this research has paid attention to those social personality influences which could underscore other mutual differences and conflicts between the Chinese and the Japanese.

From the viewpoint of those employed in JAEs, Chinese managers and employees may learn from the Japanese, simply in order to further their own development. Although no culture stays unchanged, many such changes only evolve slowly and gradually, and not without some tensions and contradictions. As Harris and Moran (1987) have indicated, in resolving conflicts between two cultures even within the same organisation, three methods have been used: Dominance; Compromise; Synergy[33]. Dominance is where one culture dominates another; Compromise is where both cultures participate in give and take until agreement is reached: Synergy is the formation of a new culture, born through the two original cultures. When considering conflicts

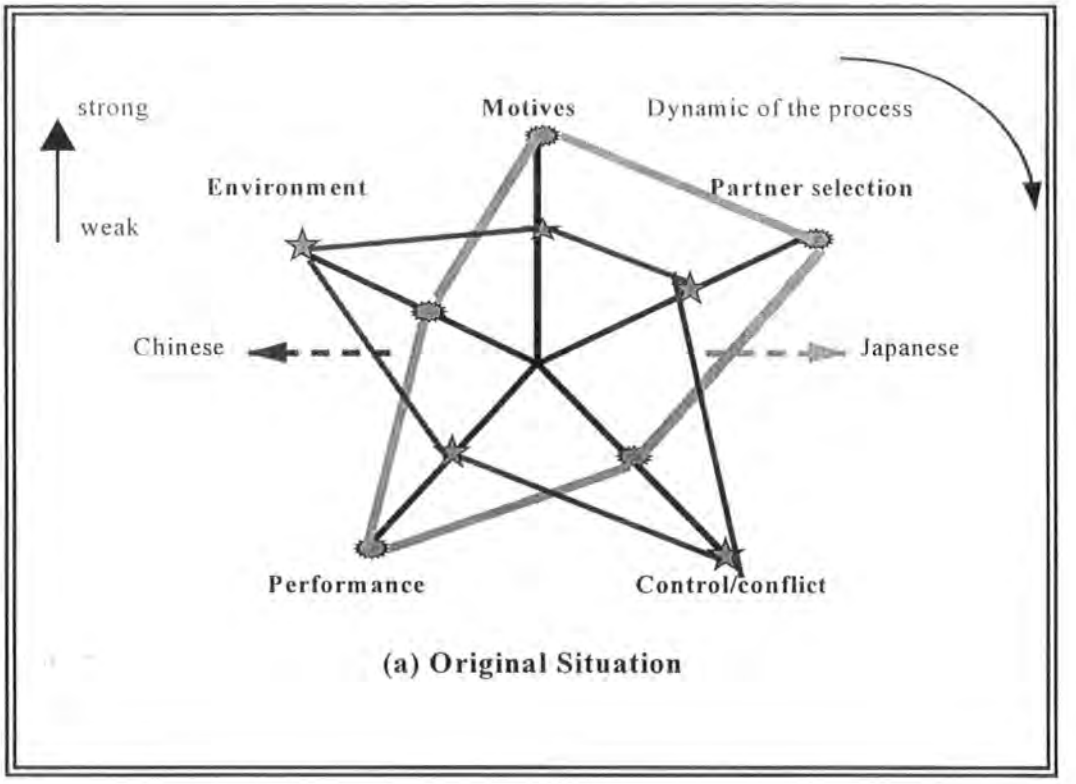
between Chinese and Japanese in JAEs, the Compromise method would appear most suitable where cultures are relatively similar, and have both originally evolved from the similar strands.

The following five sections attempt to draw together the five influences described above to demonstrate that overall impact by means of more formal diagrammatic representation.

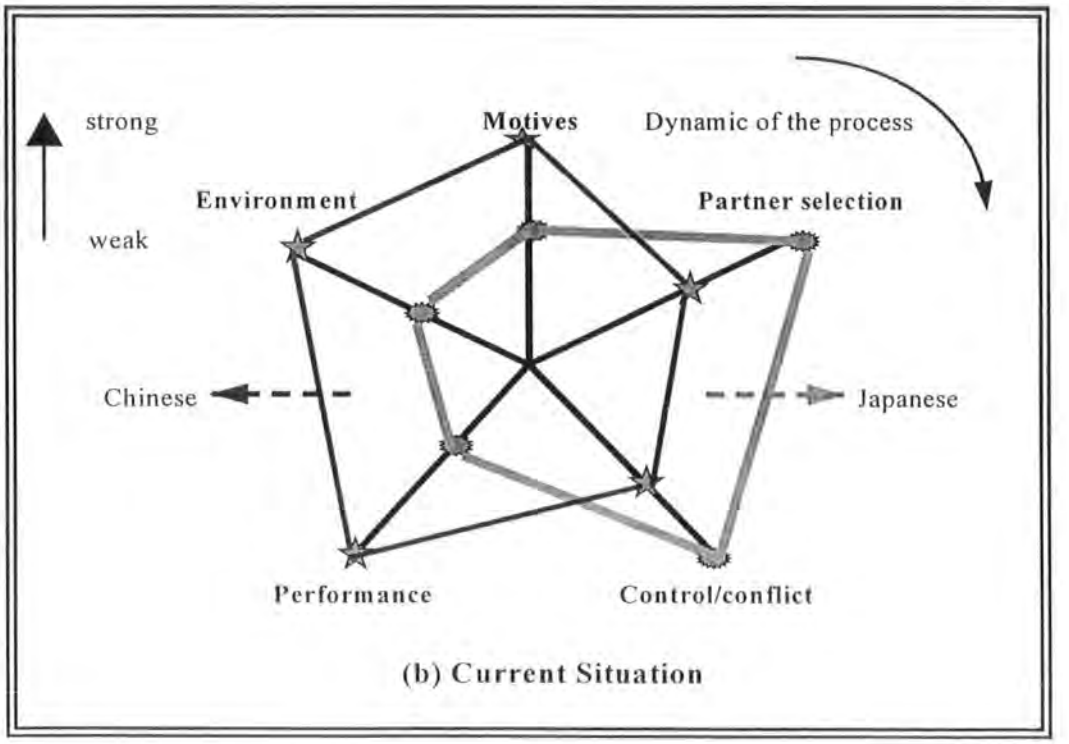
7.1. Historical influence

Figure 8-1 illustrates the major historical trends over the last two decades in the form of radar diagram. In this diagram, a star legend represents the Chinese, a circle legend represents the Japanese. If the position of the star or circle in black line comes close to the centre, it means that in this aspect the country is weaker; if it is further from the centre it is correspondingly stronger. The area bounded by the connecting lines for each country defines how much comparatively weaker or stronger it is. It is 20 years since China first started establishing international joint ventures. During these years, the JV process has undergone many changes and developments, which we may consider to be historical influences spanning both countries. Figure 8-1(a) depicts the dynamic of the process towards joint ventures as originally being stronger for the Japanese than for the Chinese. Figure 8-1(b) then suggests the Chinese have since gained strength relative to the Japanese.

Figure 8-1: Historic changes between the Chinese and Japanese



(a) Original Situation



(b) Current Situation

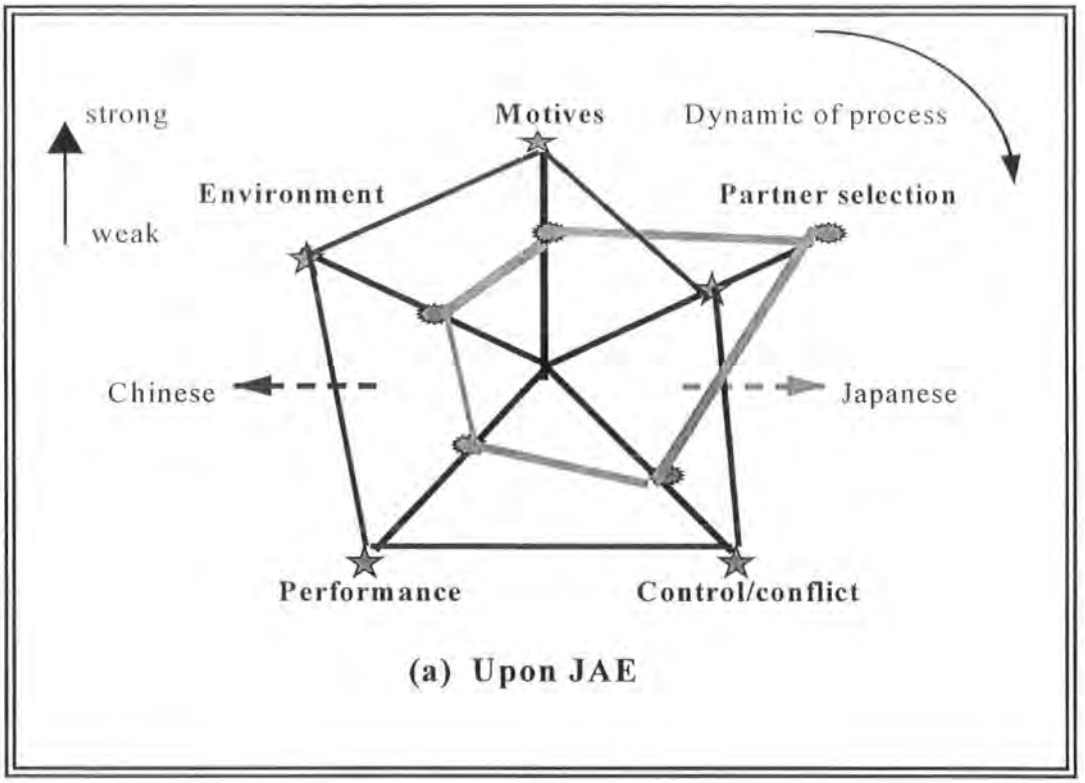
7.2. Political Influence

Figure 8-2 shows how Chinese political influence exceeded the Japanese. The Communist Party of China (CPC) provides China's official national ideology. The Party is claimed to listen and collect suggestions from the people, on the basis of which practice can develop[34]. Formerly state enterprise employees were politically dependent, and every enterprise contained a CPC cell or party branch, dating back to the mid-1950s. Party cadres in the enterprise are expected to provide political leadership, often in the context of political and ideological study sessions, as well as being involved in day-to-day matters. After it was officially announced that the party's role in day-to-day management was to be reduced, and the authority of line managers and technical experts increased, in 1984[35] party cadres struggled to maintain their power. However, there is no independent official system for CPC branches established in JV enterprises. This is different from state enterprises, but many members of the CPC may have joined the unofficial branch at JV enterprises[36]. While party secretaries are not officially given seats on JV boards of directors, they potentially have a voice there through other political organisations like Trade Unions.

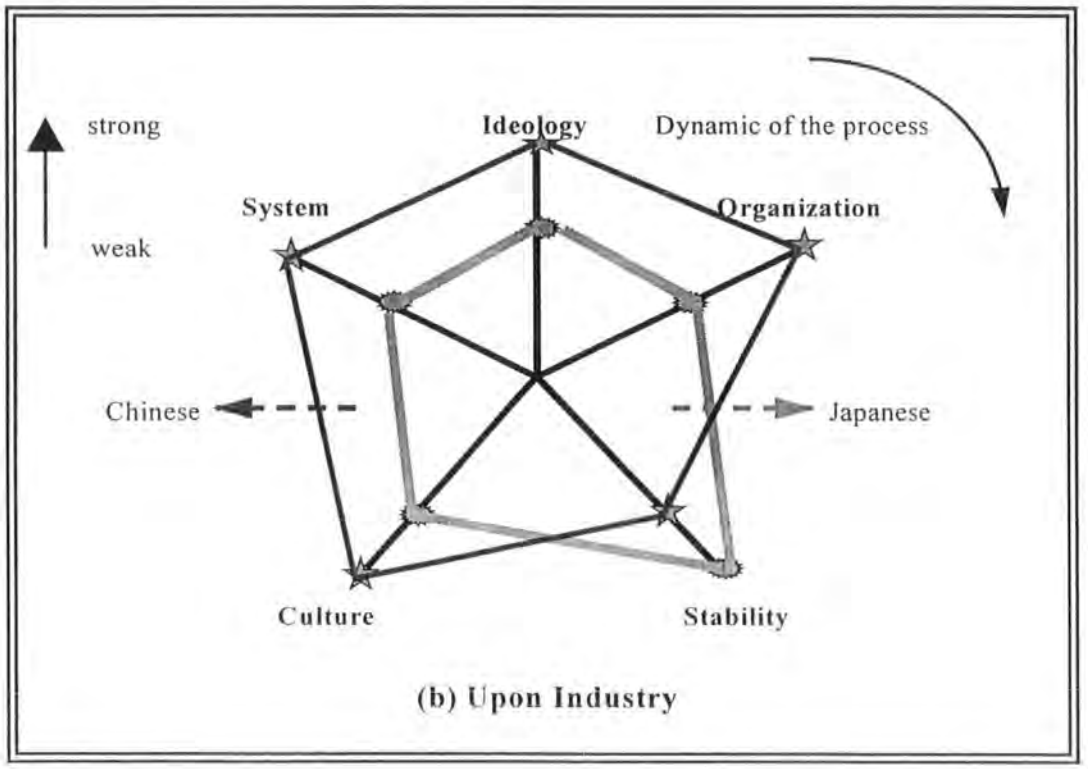
Organisations such as Trade Union, Women's Federation and Youth influence JVs. On occasions, the party secretary is simultaneously the Trade Union leader in JV enterprises[37], although political influence inside them is less intense than in state enterprises. However, all employees in a JV enterprise officially have the right to set up Trade Unions, which they themselves have the right to organise political studies[38].

Figure 8-2a shows that Chinese political influence on JV enterprises is markedly stronger than Japanese, and demonstrates where this counts most. Compared with China, Japan has a constitutional monarchy and its political system has so-called organised mass parties like the Komei Party and the Japanese Communist Party within it, but the Liberal Democratic Party plays the leading role in Japan at present[39].

Figure 8-2: Political influence between the Chinese and Japanese



(a) Upon JAE



(b) Upon Industry

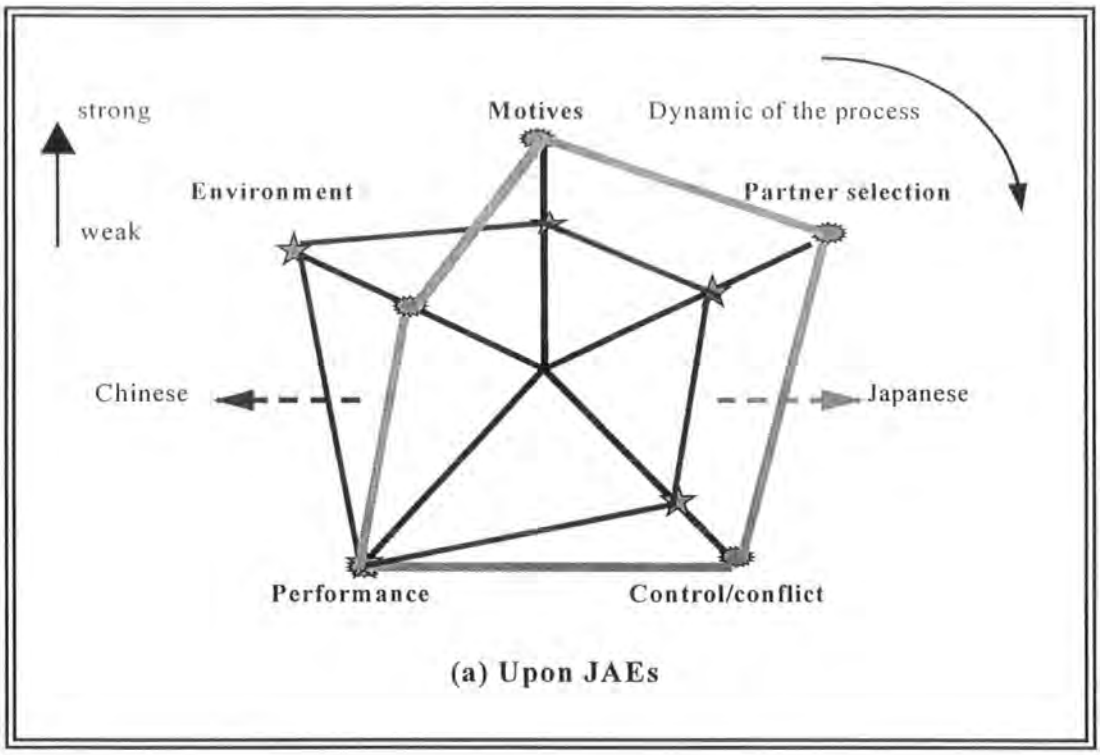
No single party in Japan can presently impose ideological control, and most are influenced by outside contact, with the West in particular. The Japanese may now seek leaders more like those of Western powers[40]. Otherwise, there are no independent political organisations directly located within enterprises or political studies involved in enterprise activities.

7.3. Economic Influence

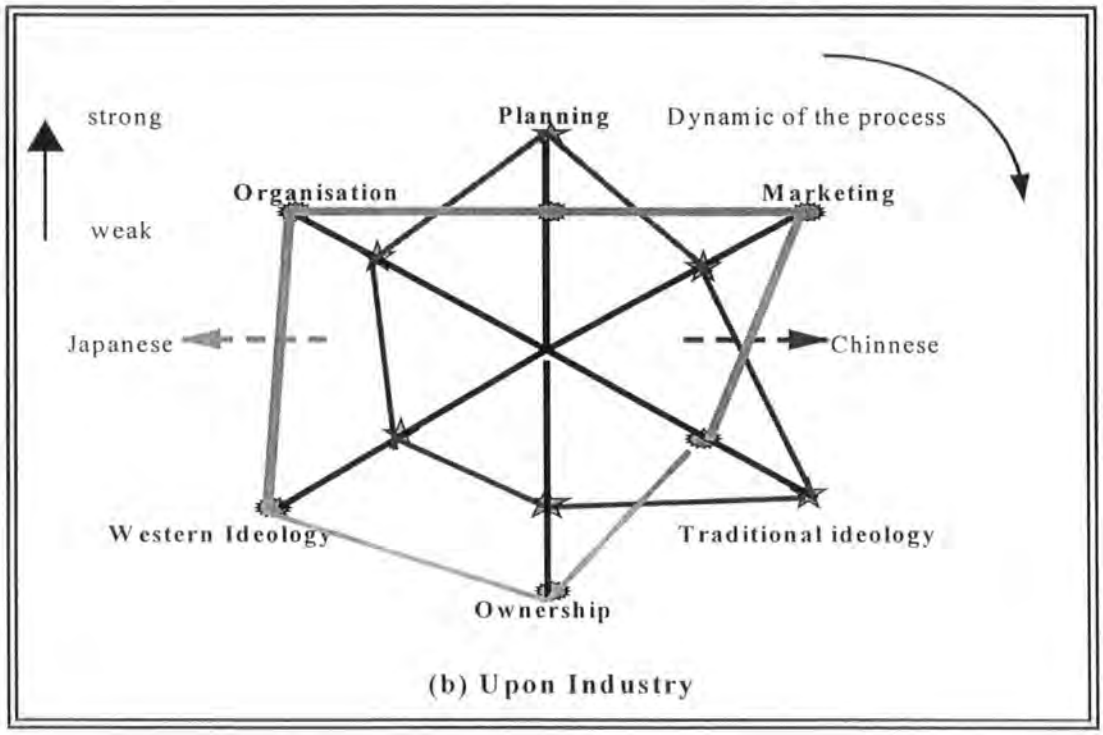
Figure 8-3 compares Chinese and Japanese economic influences. The Chinese economic system is the so-called *socialist market economy*, which involves elements of a planned and free-market economy, as if it can enjoy both. The Fourteenth National Congress of the CPC put forward this *socialist market economy* in 1992, whereby the means of production are owned by the state but managed according to free market principles[41].

Although nominally a market economy, Japan still exerts some central control through "administrative guidance", and similar systems that co-ordinate key national strategic actions. The President in Case Two, indicated that the operation of the enterprise could be compared to navigating a big ship to its destination in a stormy and rough sea[42].

Figure 8-3: Economic influence between the Chinese and Japanese



(a) Upon JAEs



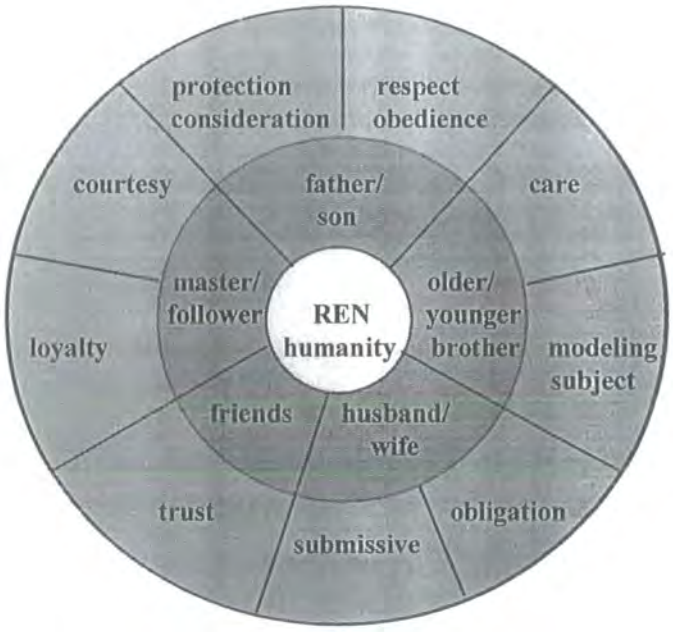
(b) Upon Industry

Figure 8-3a shows the Japanese duly gaining stronger economic influence upon JV enterprises than the Chinese. The reason can be found in Figure 8-3b. The Japanese are stronger regarding organisational, marketing, ownership and ideological aspects. China officially is a socialist market economy, whose central planning aspect is stronger, but in marketing – especially international – it falls behind the Japanese. Contemporary Japanese economic structure has been very much influenced by Western – particularly US - economic theory and business practice. The Chinese economy has been less influenced this way, and only started to embrace Western economic ideology two decades ago, leaving some scope for potential ideological conflict[43].

7.4. Cultural Influence

Japanese cultural influence appears, on the whole, potentially stronger than Chinese in JAEs, as can be seen from Figure 8-4. A more detailed analysis shows that the Japanese, on some specific points, may even exceed the cultural influence displayed by the Chinese. Although both cultures originated from *Confucianism*, they still differ in other respects. So-called *Confucianism* is not so much a religion as an ethical code. Its basic tenets has been summarised as obedience to and respect for superiors and parents, duty to family, loyalty to friends, humility, sincerity, and courtesy[44].

Figure 8-4: Basic human relationships of Confucianism



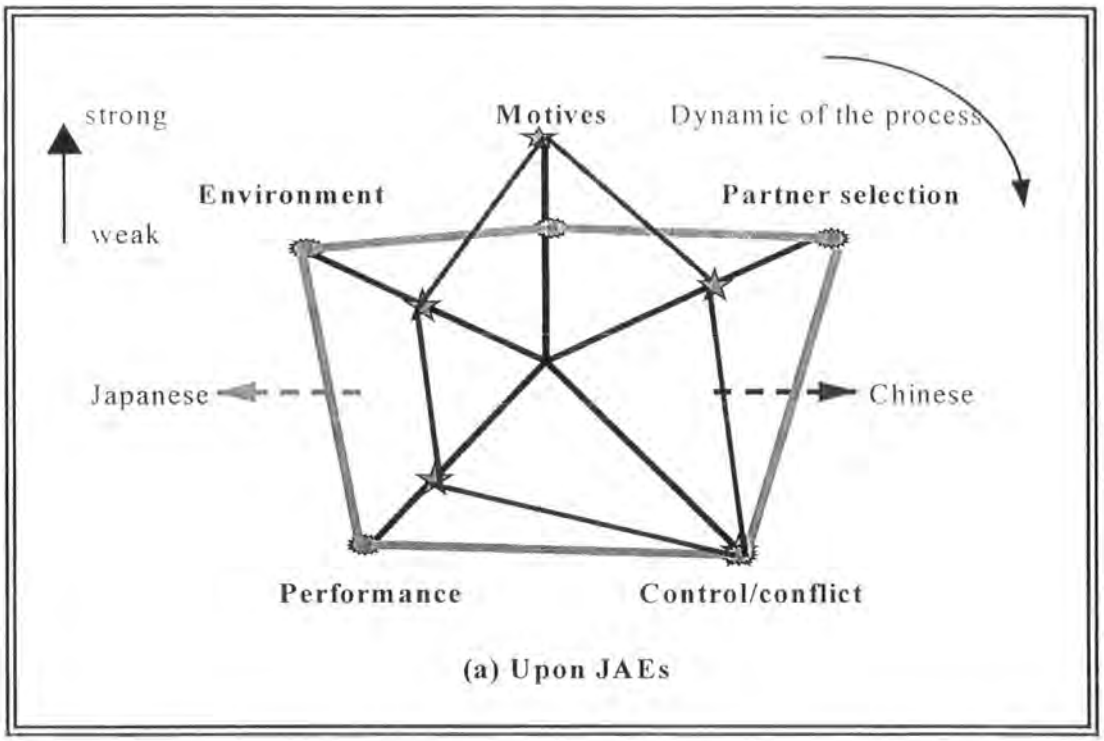
Source: Kirby, D.A., and Fan, Y., "Chinese Cultural Values and Entrepreneurship: A Preliminary Consideration", ***Journal of Enterprising Culture***, Vol: 3, No. 3, 1995, pp245-60.

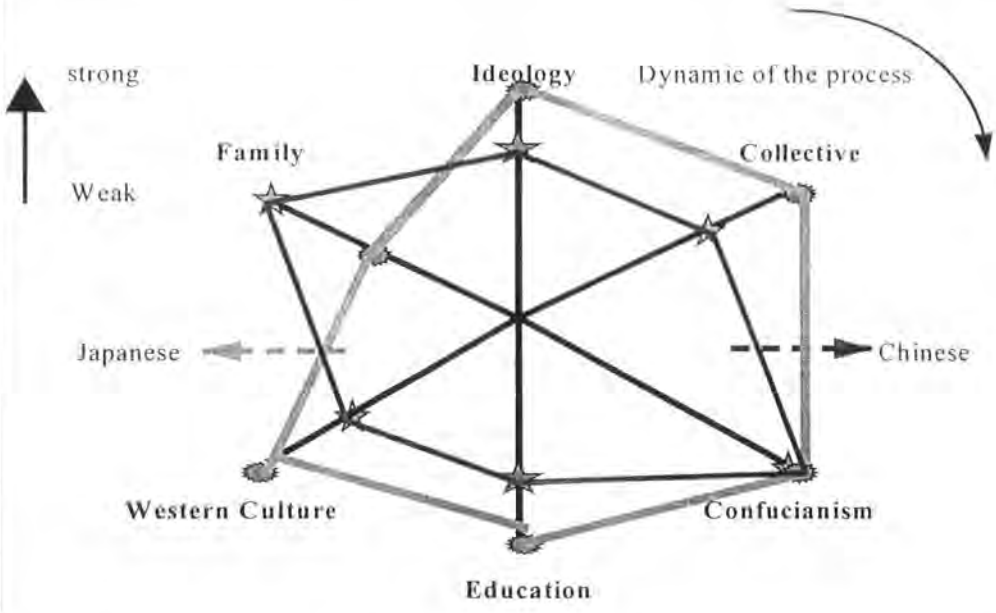
Although China and Japan share a historic Confucian cultural heritage it is not the only cultural influence in either, and more recently other Western elements like *Marxism* have been added to the prevailing "cultural mix". Since then the "political culture" element has been critized in the light of economic reform although selected features still remain. Officially the idea of "business culture" has enjoyed support, but any such culture must initially develop alongside other cultural traditions, at least before actually replacing them. China is therefore in a state of "cultural flux" while other are taking place.

It seems debateable where Japanese cultural influence could exceed the Chinese, as can be seen from Figure 8-5a. Can China exert so little cultural influence that it is exceeded by the Japanese, whose own culture originally evolved through the Chinese? This may be explained by Figure 8-5b. There are six factors such as Ideology, Collectivism, Confucianism, Education, Western

culture, and Family in this figure, but only the customary Chinese family is arguably stronger than the Japanese.

Figure 8-5: Cultural influence between the Chinese and Japanese





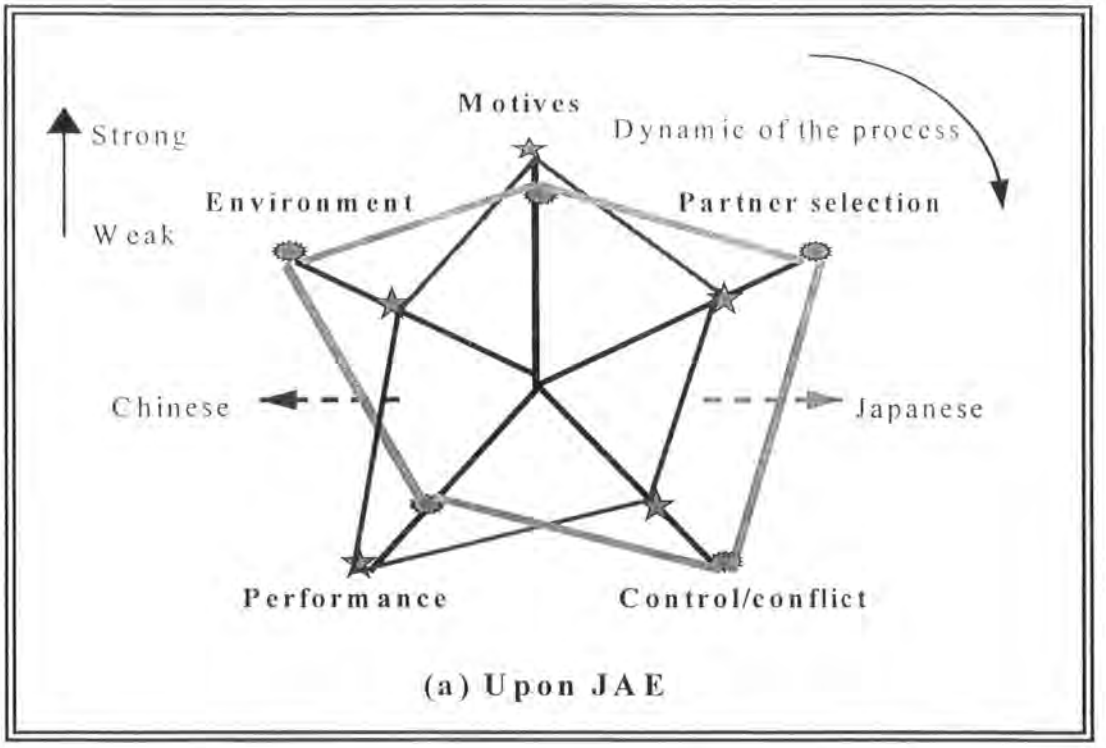
(b) Upon Industry

The situation in Japan is different when the Japanese incorporated Chinese culture over two thousand years ago[45], that included *Confucianism*, *Buddhism* and *Taoism*, and even some classic Chinese-style management thought[46]. Japanese society was publicly influenced by the thought of *Confucius*[47]. Aspects of the Confucian ethic were transferred into Japanese business conduct, so that younger people are expected to defer to their elders in speech and manner, and elders are expected to reward juniors who work well. Seniority has been an important criterion for promotions and wage increases. As a result *Confucianism* has helped to develop and legitimise workplace hierarchies. So, looking at Figure 9-5b, the Japanese here appear stronger than the Chinese. Only in ideological influence may the Chinese readily exceed the Japanese. As noted before, Japanese culture has drawn upon others outside its boundaries despite its overall sense of unopenness. We can see from the proverb that a Japanese may be given *Shinto* (a Japanese traditional religion) rites at birth, a *Christian* ceremony at marriage, and a *Buddhist* funeral at death[48].

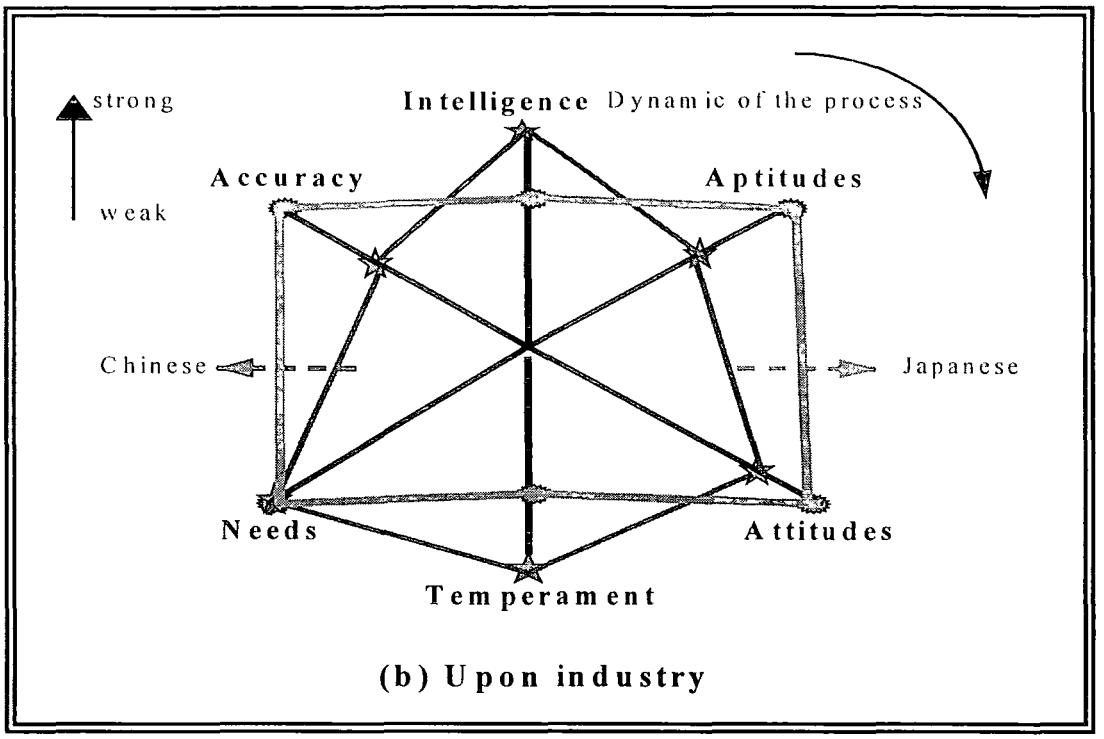
7.5. Personality Influence

The special meaning of personality varies across cultures. Many Western cultures emphasise individual personality whereas some Eastern cultures regard individualism differently. Trait psychology has previously influenced much Western thought on this subject. Usually this has been highly individualistic. This alone limits its usefulness in a Chinese or Japanese field situation. Nevertheless speculation about why Chinese and Japanese personality may fundamentally differ has its own long history even within the West. For example Bertrand Russell (1922) speculated about this along philosophical grounds. He argued that many Chinese were of conservative and gentle disposition, preferred equable relations, and valued compromise and money[49]. Particularly after World War Two there were more direct studies of so-called "national character", again partly based upon trait psychology, which were later subject to some dispute on both theoretical and methodological grounds. Nevertheless some speculation of this type still continues. For example Matsumoto (1995) describes Chinese personality as typically open towards ethnic differences, anti-war, diligent, enduring, culture – affirming, yet also inefficient, passive, and maybe crude and careless[50]. Although this particular combination of traits itself appears somewhat contradictory, the Japanese are said to demonstrate some additional differences, such as impetuosity, speediness and aggression. As regards the understanding of joint venture founding and development such speculation may not take us very far but it does at least remind us of how deeply differences may go whatever the venture concerned. Figure 8-6(a) attempts to relate possible personality influences over joint ventures in this light:

Figure 8-6: Personality influence between the Chinese and Japanese



The possible personality differences are then transposed onto Figure 8-6 (b). This shows historic Chinese claims to intelligence and temperament might influence certain features and Japanese claims to accuracy, attitude, and aptitude others. To repeat, this is not based upon this research data, but does reflect customary thinking about how Chinese and Japanese natively differ, whatever the individual venture concerned.



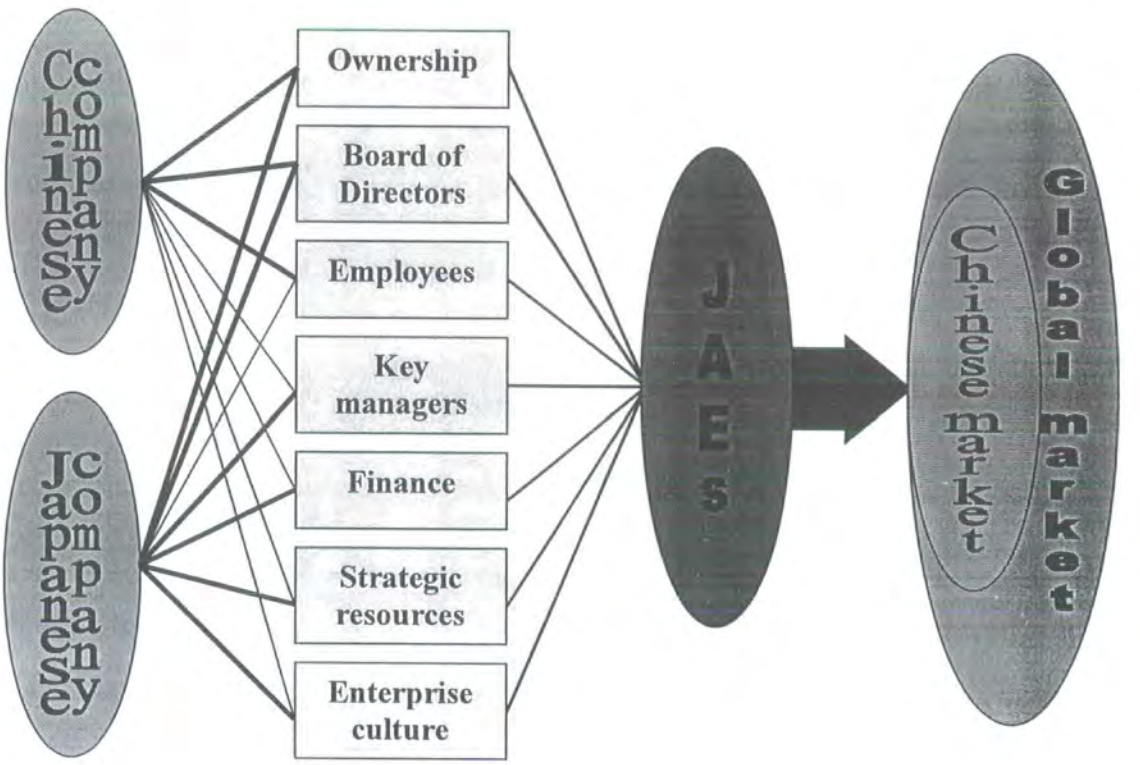
(b) Upon industry

It is difficult to compare intelligence and aptitudes between Chinese and Japanese. There are psychological test studies which show broad cross-cultural comparisons, for example Stevenson, Lee, Stigle et. al (1990) found that Chinese children surpassed Japanese and American children in reading scores, and both Chinese and Japanese obtained higher scores in mathematics than American, but the differences related more to their school and home experience than innate intellectual ability[51]. As regards temperament, the Chinese are considered more gentle and open than the Japanese, who appear more excitable and conservative. The Chinese are still associated with "mamafufuism" where the Japanese are much more attuned to fine details. For example, one particular difference can be traced in the chopsticks both use. Chinese chopsticks tend to have the same width, both ends are rather blunt, so it is only possible to pick up larger items. Japanese make chopsticks so that one end slopes inwards, forming a sharper point, this is so that the user can pick up even the smallest grain of rice. Other differences can be partly explained by such proverbs that Chinese think more with their hearts than with their heads[52]. Such proverbs imply the Chinese prefer using emotions rather than intellect, they appear less articulate, whereas the Japanese tend to calculate and analyse in more detail.

7.6. Sub-summary

The results suggest that, compared with the Japanese, the Chinese are less powerful when managing JAEs. The Japanese hold more advantages in both tangible and intangible aspects. Therefore, by means of ownership, board of directors, formal agreement, key managers, financial control, strategic resources and enterprise culture, they gain control, and extend their influence over the Chinese and international markets. This is illustrated in Figure 8-7:

Figure 8- 7: Strength of Influences over JAE Strategy



Note: Thicker blacker lines denote greater strength.

Although there are shared influences in certain respects the Japanese may gain more power and control over the wider spectrum as ventures develop and mature beyond the original founding state.

Note

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19. Please see the current questionnaire survey at Appendix I.
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24. Kobayashi, T. (1994), "Kanebo's Joint Venture in China", ***JETRO China Newsletter***, No.109, MAR.-APR., pp. 2-20.
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27. Please see the current questionnaire survey at Appendix I.
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31. Some views about this can be found in: Pearson, M., ***Joint Ventures in the People's Republic of China***, Princeton: Princeton University Press, 1991. Taylor, R., ***Great China and Japan: Prospects for an Economic Partnership in East Asia***. London: Routledge, 1996.
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Chapter Nine
Case Studies

This chapter presents key findings from four individual case studies, each analyzed with reference to the theoretical model outlined before, and cross-referenced in the Chapters detailing Japanese and Chinese perspectives. Based in Beijing, Tianjin and Chengdu, the case study sites entailed some travel, but both Japanese and Chinese top level managers proved accessible for these purposes.

The overall purpose of these case studies was to provide more qualitative depth to, and another type of check of, those survey findings summarized before. Each case was selected for differing purposes thus:

CASE ONE: Sino-Japanese Sichuan Sanhai Plastics Co., Ltd

The purpose was to investigate how an individual Sino-Japanese venture was so conceived and planned as to demonstrate clear tangible benefits to both respective partners and the Chinese economy at large. The researcher interviewed four representatives from the top management level of this venture. They were: a Deputy Managing Director, a Secretary from the Chinese parent companies, a Managing Director and a Deputy Managing Director from the JV company. Altogether, the researcher visited the company on four separate occasions: twice to the head office for interviews totalling about seven hours, twice to a factory for interviews and tours lasting two whole days.

1.1. Motive

Negotiations to set up a joint venture began in June 1992 between China Mianyang Plastics Factory and Sichuan Plastics industrial Company and Japan Hi-Sheet Industrial Co., Ltd, Mitsui Petrochemical industries, Ltd and Mitsui & Co., Ltd from Japan. After two years of negotiation

and planning, a contract was signed on 11th April 1994 to establish a Sino-Japanese JV Company in China Mianyang National New Hi-tech Development Zone. The total amount of investment was US $3.07m, with a registered capital of US $2.15m. Of the registered capital, the Chinese would invest US $0.86m in cash, accounting for 40% of the total, and the Japanese US $1.29 in cash, 60% of the total. The main stated business was to produce plastic caps, PE plastic closures and other plastic products, and to market plastic building products and related materials both at home and aboard.

Stated Objectives These were to promote the development of the plastics industry in China, particularly Sichuan, and to increase and strengthen international trade and technical exchange. The JV was to adopt advanced technology and management methods to continuously improve production efficiency and increase profitability to enable the parent companies to obtain satisfactory return. PE material is used in a wide range of Hi-tech products, especially in Japan. However, production of this material in China was just at the initial stage with poor production equipment and techniques resulting in low quality products. The Hi-Sheet Co., Ltd had advanced technology and a high quality product they would transfer, along with Japanese management methods to ensure they would be appropriately utlized.

Projected Plan The two Chinese companies and three Japanese companies formally agreed to invest cash in Mianyang, to establish a JV company to produce and sell PE material and other plastic material products. The main product market was located Sichuan and related areas of China. The General Manager would carry out the various decisions of the board meetings and organise the daily operational and management work of the JV. The duration of the JV was formally fixed at 50 years. There were 7 JV company board members: 3 Chinese and 4 Japanese. The JV company's designed capacity was 1000T/year of PE mats material, to be used to produce 750T/year of flake.

1.2. Partner selection

Sichuan Provincial Plastic and Hi-Sheet Industrial originally initiated this Joint Venture with the following ownership make-up.

Mianyang plastic factory This factory was one of the main Sichuan based plastic producers, and one of the top 500 nationally. The gross capital was 34m RMB, and the total number of employees 384, including 57 engineers. Since 1983, the factory had imported five advanced production lines and key equipment from Japan and HK. By 1995 its production capability had increased to 1000T/year. The gross value of industrial output exceeded RMB 30m, and profits and taxes amounted to RMB 2m, following 5 years of continuous improvement.

Sichuan Provincial Plastic Industry Corp. As a corporate body, they engaged in commercial trade, and assisted the government in managing the Sichuan plastics industry, including planning work quality and facilitating international co-operation. With some 280 subsidiaries and about 30,000 employees, the corporation purchased and sold around 30,000 tons a year of both imported and China made polymers, and was engaged in wholesaling the plastic end-products of its enterprises.

Hi-sheet Industrial Co. Ltd Hi-sheet was the principal Japanese investor and most directly involved in technology transfer and operational management. Hi-sheet was established in September 1972 as a subsidiary of the Mitsui Petrochemical Industry Co. Ltd. It was capitalised at 100m Japanese Yen (end of Jan. 1994) and its main business was producing and selling plastic products.

Mitsui Petrochemical Industries Ltd This is a major Japanese petrochemical industry enterprise and one which possessed advanced technology and productive methods. Mitsui Petrochemical had a gross capital of 32b Japanese Yen (end of Jan 1994), and a total output value of 330.82b Japanese Yen (end of 1991). It was the parent company of Hi-sheet.

Mitsui & Co. Ltd Mitsui & Co. Ltd was the most important trade and investment company in the Mitsui group with a gross capital of 179.3b Japanese Yen (end of Mar 1994). It is the lead company in this programme.

Source and Composition of JV Capital:

Gross investment:	US $3.07m (Accounting to US $1 = RMB 8.7521 = Japanese Yen 105)
Registered capital:	US $2.15m
Composed of:	
Mianyang Plastic Factory	US $0.645m, 30% of the total.
Sichuan Plastic Industrial Corp.	US $0.215m, 10% of the total.
Hi-sheet Industrial Co. Ltd	US $0.645m, 30% of the total.
Mitsui Petrochemical Industries, Ltd	US $0.43m, 20% of the total.
Mitsui & Co. Ltd	US $0.215m, 10% of the total.

Gross Chinese investment of US $0.86m included US $0.16m from the enterprises themselves, plus a US $0.7m loan from a Chinese bank. The gross Japanese investment was US $1.29m. Both sides invested in cash. The balance of the gross investment came from a bank loan taken out by the JV company itself after its establishment.

Technology equipment and production capacity:

- Techniques and know-how was to be transferred with compensation from Hi-sheet Industrial Co. Ltd.
- Following an assessment of equipment available in the Chinese domestic market, both sides concluded that the technical performance and quality of Chinese made machines was inadequate. The Japanese first suggested that the main production line and key machines should be imported from Japan and South Korea, and both sides agreed.
- Some auxiliary machinery was tested in the Mianyang Plastic Factory after which both partners decided that the JV company could buy it on the Chinese domestic market. The JV company would give priority to other Chinese auxiliary equipment while it met the required standard.

Raw material supplies:

The density of polyester to be used by these products was assessed through trials after which it was decided that 1C7A polyester produced by Beijing Yanshan Petrochemical Company was the most satisfactory. This and other secondary material would be bought in the Chinese domestic market.

Operation budget:

Investment budget

a. Land purchase (1.66 hectare)		US $354,400
b. Capital construction		US $344,760
c. Machinery and equipment		US $1393,500
d. Technology transfer	US $190,500	
e. Working capital		US $348,300
f. Design, debugging, repair etc.		US $318,200
g. Unforeseen expenses		US $120,340

Timescale It was planned to become operational within thirteen months of receiving an official permit, and designated capacity would reach within two years. (PE flake 1000 tons/year, and caps products 750 tons/year)

1.3. Control and conflict

Organisation Structure The Chinese and Japanese partners in the JV had set up a Board of Directors, consisting of 7 directors, 3 Chinese and 4 Japanese. A Chairperson was nominated by the Chinese while a Vice Chairperson was nominated by the Japanese partners. The formal term of office for the Directors was 2 years. The Board of Directors was granted supreme authority over the JV. It could itself only decide on major issues by unanimous agreement through discussion in accordance with stipulations specified in the contract. The Board of Directors would convene at least one routine meeting every year. An interim Board meeting could be convened at the request of the Directors. The Chairperson would preside over the Board meeting, with the Vice-Chairperson acting in the absence of the Chairperson. Quoracy was fixed at 2/3 of the total including proxies. Detailed minutes of all the meetings convened by the Board of the Directors would be kept. The JV company was to have one General Manager and one Vice

General Manager, with the General Manager nominated by the Japanese, and the Vice General Manager nominated by the Chinese. The power of both the chairperson and the General Manager would be stipulated in the JV company rules and regulations. Each investor would assume risks, losses and debts corresponding to their prefixed portion of the investment, and similarly few profits. The Chinese employees would be recruited by the JV Company itself, subject to the approval of the local labour management department.

1.13. Staff training

Schedule for operations training in Japan			
Staff	Number	Time	Place
Operational manager	1	month	Tokyo
Marketing manager	1	month	Tokyo
Design manager	1	month	Katsuta factory
Production manager	1	3 months	Katsuta factory
Operations staff	4	3 months	Katsuta factory
Interpreter	1	4 months	Katsuta factory
Total	**9**	**13 months**	

Employment structure

Unit	**P o s t**	**E m p l o y e e s**			
		Male	Female	Nationality	Total
Management	General manager	1		Japanese	3
	Deputy general manager	1		Chinese	
	Assistant general manager	1		Japanese	
Office Staff	Director	1		Chinese	13
	Interpreter	1		Chinese	
	Secretary		1	Chinese	
	General affairs	1		Chinese	
	Accountant	1		Chinese	
	Cashier		1	Chinese	
	Driver	2		Chinese	
	Cook	2		Chinese	
	Porter	2		Chinese	
	Cleaner		1	Chinese	
Operations Department	Director	1		Chinese	9
	Sales	2	1	Chinese	
	Purchasing	1		Chinese	
	Stock-keeper (material)	1		Chinese	
	Stock-keeper (products)	1		Chinese	
	Driver	1		Chinese	

Technology Department	Director	1		Chinese	7
	Technology, quality	1		Chinese	
	Equipment	1		Chinese	
	Statistician		1	Chinese	
	Safety production	1		Chinese	
	Electricity	2		Chinese	
Manufacturing Section	Production director	1		Chinese	27
	Handle, model, cut operatives	25		Chinese	
	Tester	1		Chinese	
Total		**53**	**6**		**59**

1.4. Performance

Market analysis From June 1992, both partners carried out joint market research on demand in the Chinese domestic market. This product had a wide range of uses, but their research concentrated on white spirit factories first, and then cosmetic, other beverage etc. factories second. It showed that six leading white spirit distilleries alone required over 1 billion PE caps in Sichuan Province alone, excluding a further 1 billion requirement by medium and small sized distilleries in Sichuan. Therefore, just the Sichuan white spirit distilleries requirement exceeded the annual output of 1000 ton/year. Many other factories expressed some interest in the products offered, on the basis that they would receive early supplies. Furthermore, by 1994 market research predicted that oral tonic and oral liquid medicine bottles would start to use PE plastic caps instead of rubber. The annual output of these products was 14 billion in 1993 and expected to be 20 billion in 1995 with a requirement of 3500 ton/year of PE plastic material. In addition there were a large number of beverages which would use PE plastic bottle caps. The market for these products in Sichuan and the rest of China was thus considered potentially large, and the capacity of this programme was actually lower than the predicted requirements of the Chinese domestic market.

Economic evaluation (by both partners)

Economic Evaluation of Sino-Japanese JV Project (1)

Project	Unit	Price	situation 1			situation 2		
			amount	RMB	RMB/kg	amount	RMB	RMB/kg
Sale volume			1000t	18.65m	18.65	750	20.76m	27.69

Output (%)	t/y		1000			750		
% of raw material used	%		90			85.5		
Amount of raw material	t/y		1111.1			874.1		
Costs (variable)								
Raw materials	kg	6.7	1111.1	7.44m	7.44	874.1	5.86m	7.81
Materials	kg	0.2	1000	0.2m	0.2	1000	0.2m	0.27
Electricity	kha	0.25	1247	0.31m	0.31	1582.5	0.4m	0.53
Water	m	0.23	5000	1200	0	5000	1200	0
Fuel	l	3.5	0	0	0	0	0	0
N2	m	70	2000	0.14m	0.14	2000	0.14m	0.19
Packing materials	kg	0.1		0.1m	0.1		0.1m	0.13
Direct sales costs	kg	0.12		0.12m	0.12		0.09m	0.12
Interest		0.12	4663	0.56m	0.56	5192	0.62m	0.83
Technology royalty (sale quota x 2%)				0.37m	0.37		0.37m	0.5
Total variable costs				9.25m	9.25		7.78m	10.38
Gross profit				9.4m	9.4		12.98m	17.31

The Economic Evaluation of Sino-Japanese JV Project (2)

Project	Unit	Price	situation 1			situation 2		
			amount	RMB	RMB/kg	amount	RMB	RMB/kg
Costs (fixed)								
Labour			44 (C)	0.23m	0.23	63 (C)	0.32m	0.42
			2 (J)	0.36m	0.36	2 (J)	0.36m	0.48
Health and sales				0.6m	0.06		0.09	0.12
Depreciation charges								
Building	%	4	3179	0.13m	0.13	3179	0.13m	0.17
Equipment	%	10	13247	1.32m	1.32	18073	1.8m	2.41
Land	%	0	3892	0	0	3892	0	0
Technology	%	10	1662	0.16m	0.17	1662	0.16m	0.22
Equipment maintenance				0.54m	0.54		0.73m	0.97
Equipment insurance				0.05m	0.05		0.6m	0.09
Equip. fund interest	%	12	7006	0.84m	0.84	11832	1.42m	1.89
Interest on techn. fee	%	12	1662	0.2m	0.2	1662	0.2m	0.27
Factory management fee				0.05m	0.05		0.05m	0.07
Indirect sales costs	%	1		0.19m	0.19		0.2m	0.28
R & D	%	0.5		0.09m	0.09		0.1m	0.14
Total fixed costs				4.51m	4.51		5.96	7.94
Interest	%	3	-6256	0.19m	0.19	6256	0.19m	0.25
Total costs				13.57m	13.57		23.55m	18.07
Profit before tax				5.08m	5.08		7.2m	9.62
Sales tax (sales quota x 0.17/1.17)				2.17m	2.17		3.02	4.02

Purchases				8.67m	8.67		7.33	9.78
Purchase tax (estimate quota x 0.17/1.17)				1.26m	1.26		1.07m	1.42
Profit after tax				3.63m	3.63		5.26m	7.02
Main basic funds		0.15		0.54m	0.54		0.79	1.05
Profit				3.09m	3.09		4.47	5.96
Balanced sale price					15.02			20.67

A. Table One shows the balance between profit and loss.

B. Annual gross profits and taxes and nets profit.

a. Sales of PE plastic material at a price of RMB 18650/ton

on annual sales of 1000 tons:

Annual gross sales:	RMB 18.65 million
Annual profit and tax:	RMB 5.08m
Annual dividend:	RMB 3.08m

b. Sales of PE plastic seals at RMB 27690/ton

on annual sale of 750 tons:

Annual gross sales:	RMB 20.76m
Annual profit of tax:	RMB 7.21m
Annual profit:	RMB 5.26m
Annual dividend:	RMB 4.47m

Operational Strategy Elsewhere there were high-class products with low-class packaging. There was a need to improve the quality of seals up to world levels. With imported foreign advanced equipment and technology, and using proven operational management methods, it would be possible to produce high quality products at a more competitive price and thus increase profits.

1.5. Investment Environment

China's packaging and packaging materials industry was considered well behind more developed countries. This was especially true of the seal material field, where many factories still used rubber seals. This not only resulted in high costs and low efficiency, but seal quality problems reduced overall production improvement. China's PE plastic productions was still in its infancy, production technology was poor, and output was so restricted that it could not satisfy all the demand for air tight material. With this gap between demand and supply, the JV company would.

in principle, be in an ideal position to take an early market lead. By importing more Japanese advanced technology, and transferring certain Japanese management skills, the Chinese packaging material industry could be brought up to the technical level of more developed countries, and provided other competitors did not enter it, both partners could profit from this JV.

- The two Chinese companies had much experience of the plastics industry. They were financially stable, technologically competent, leading companies in the Sichuan area. The JV company would be located at the Mianyang New High-tech Development Zone which enjoyed a good geographical position, and favourable local government. The three Japanese companies possessed finance and technology, they had rich experience in production and operational management. The development of high quality products with advanced production technology would be to China's advantage.

- The technology and quality of the PE plastic material were of a sufficiently high level; products were very competitive with a large potential market and excellent future prospects in China.

- In comparison with the rest of the Chinese plastics industry, Japanese production technology and products were far superior.

- This project would utilise foreign funds and import advanced technology to develop new products, so therefore it accorded with the Chinese government's economic development policy. Furthermore, it was predicted that the venture would soon be in profit.

Based on above, both the Chinese and Japanese partners thought that the transfer of Japanese technology and equipment, and the early supply of PE plastic seal material to China's domestic market was all very feasible.

CASE TWO: Beijing Matsushita Colour CRT Company Ltd. (BMCC)

The purpose was to investigate key features of a Sino-Japanese venture once successfully founded but rapidly becoming identified as a key player in its particular sector in China. BMCC was one of the leading JV companies among foreign affiliated enterprises in China. Six years after starting operations, its total reported profit and tax was RMB 2.04 billion, 4 times the original investment. In 1995, BMCC reportedly became one of the top twelve enterprises in Chinese manufacturing, and number one in its electronics industry. The researcher interviewed four representatives from the top management level of BMCC in Beijing, two Chinese and two Japanese.

2.1 Motive

Reason for founding Why did the Beijing partner prefer a joint venture with Matsushita? How did the Matsushita Electrical Industry Group embark on its investment in China? The interview answers were as follows:

> "The basic reason for our group of companies to enter into investment in China was that the founder of the Matsushita Company Mr. Matsushita, was very interested in China. He thought that China would have the largest influence on the development of Asia and the world. Also Mr. Matsushita has twice visited China, in 1979 and 1980. He told many Chinese leaders that it was not enough only to import equipment and technology from Matsushita, because management know-how would be more important than equipment. Based on this background, in 1985, the Director of Matsushita Electric Industrial Corporation at that time, Mr. Yamashita, discussed details with the Mayor of Beijing Mr. Xitong Cheng. They reached agreement about 50%: 50% equal partnership. They signed a JV agreement on the 22nd May 1987. At that time, all Chinese colour CRTs were imported from foreign countries using valuable foreign exchange. Production of CRTs is a very complex industry. It needs high technology and equipment to produce colour CRTs. Therefore, the Matsushita company has 140 projects in the form of technical assistance. BMCC was Matsushita Co.'s initial joint venture company, established on the 8th of September 1987." (The answer from the Japanese interviewee)

> "The establishment of BMCC was jointly proposed by the leaders of Beijing Municipal Government and Matsushita Electric Company of Japan. They wished to set up such a joint venture enterprise to develop an advanced enterprise with a strong

competitive capacity in the world market. They hoped to provide domestic and international markets with a large number of top quality CRTs, produced with first rate technology, and thus give momentum to the development of China's TV industry. We think that to make a careful study of advanced technology we need the management know-how of Matsushita Electric Company, and especially its experience in personnel training. With ten guiding principles BMCC will try its best to produce an army of staff who are morally good and technically qualified. In today's world no nation can develop rapidly and fully unless it communicates and co-operates with other nations. The establishment of BMCC has provided a good opportunity for Chinese and Japanese to learn from each other. China and Japan have different national and social characteristics and a diverse historical and cultural background, but both share trust and understanding in the management of BMCC." (The answer from the Chinese interviewee)

2.2. Partner selection

Beijing Matsushita Colour CRT Company Ltd was established on the 8th September 1987, as a joint venture limited company. Matsushita secured its partners for the joint venture after contacting the local government of Beijing. The gross capital was approximately RMB 500 million, of which the Chinese partner provided 50% and Matsushita 50%. The members Board represented were as follows:

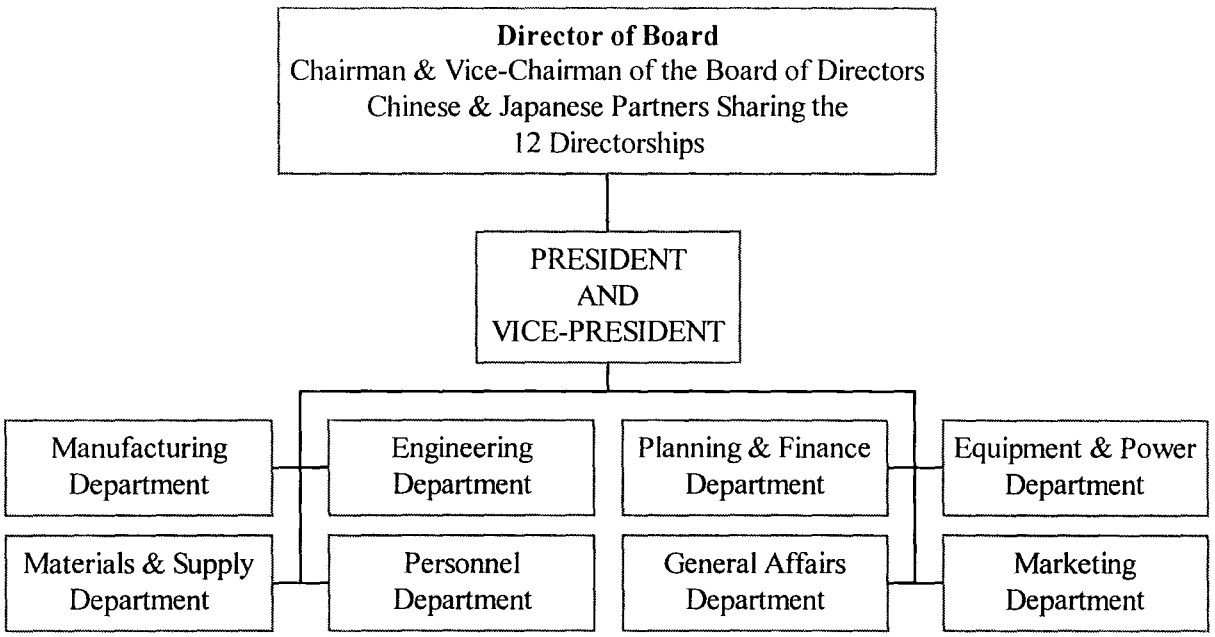
Beijing partner: *Beijing Electronics Tube Factory, China National Electronics Import & Export Corporation Beijing Branch, The Commercial Bank of China-Beijing Branch and Beijing CRT Factory.* Matsushita partner: *Matsushita Electric Industrial Company Ltd* and *Matsushita Electronics Corporation.*

The number of employees was approximately 2450, and the term of the joint venture was 20 years. They had two production lines with one producing 21" FS tubes for colour TVs, with production beginning 1st July 1989, and the other producing 14", 19", 21" FS tubes for colour TVs. In total production capacity was 1 million items per year, and production began 1st May 1990. However, it recently began producing a new type of tube, the "GAOO 29" CRT Panel (SF), double the diagonal axis compared with the conventional type, increasing total production capacity to 2.8 million items per year. In general, about 70% of its production was sold on the

Chinese market, with 30% exported to overseas markets, including Japan, Malaysia, Mexico and Indonesia. The main stated aim of exporting was to balance the enterprise foreign exchange requirements.

2.3. Control and conflict

The Organization Structure of BMCC Management



At the initial stage, the Chairman of the Board was Mr. P. Zhang (Chinese), the Vice-Chairman of the Board was Mr. Danjo (Japanese), and the President of BMCC was Mr. Ninagawa (Japanese), the Vice-President was Mr. Z. Zhang (Chinese). The Board of Directors formally meets annually. The Head of the Personnel and General Affairs Departments are Chinese, other Departments are all headed by Japanese, with Chinese deputy heads. The staff in each department varies: the Equipment and Power Department has most with 75 staff, the Manufacturing Department 50, the Engineering Department 45, and other departments each had 20 staff.

Staff Development BMCC put strong emphasis on educating its staff and workers before making products. The ten rules of BMCC developed from the seven rules of Matsushita Electric Company are as follows:

The Ten Rules of BMCC

According to published documents and statements there were:

1. Make a contribution to the nation by developing industry.
2. Seek truth from facts.
3. Develop through reform.
4. Co-operate in a friendly way.
5. Rely on fairness and honour.
6. Work with unity and solidarity.
7. Work hard and aim high.
8. Show courtesy and modesty.
9. Abide by laws and regulations.
10. Serve society.

With these ten rules as its guiding principle, BMCC endeavoured to develop a corps of staff who were considered morally superior and technically qualified, willing to unite in order to build BMCC into a "model" joint venture enterprise. Its express objectives and aims were thus:

> **The Objective of BMCC**
> To challenge international competitors in CPT with resolution and unity.
>
> **The Basic Aims**
> To recognise our responsibilities as industrialists, to foster progress, to promote the general welfare of society, and to devote ourselves to the further development of world culture.

It aimed to "produce qualified people before producing goods", on the basis that the key to success was people. BMCC developed many training programmes to enable staff and workers to raise their skill levels and morale. For example:

- Defining an annual company policy and announcing it to everyone as a key company management strategy. BMCC held an annual company policy announcement ceremony every year.
- Every Monday morning, BMCC holds a general assembly, where it hoists both the national and company flag, and everyone chants the company's objectives and ten rules in unison, in order to strengthen unity and develop staff morale.
- BMCC believed it very important that all people should love their company and be clearly aware of its future development plans. To achieve cost rationalisation, BMCC regularly carried out suggestion committee activities.
- No company can continue to progress without efficient people. Therefore, BMCC made particular efforts to train newcomers in its philosophy. A language laboratory provided the chance for all to study foreign languages. BMCC also encourages its staff to participate in various approved cultural activities.

2.4. Performance

Technology Transfer and Staff Training All the manufacturing and power equipment was imported from Japan; the technology used to produce the products is 100% Matsushita designed. BMCC's CRTs had the following technological features:

- IN-Line. Self-Convergence and Self-Pincushion-Correction system, and high resolution electron gun which adopts Over Lapping Field lens (OLF) and Aberration Reducing Triode (ART) to improve focus quality.
- 22.5mm mini-neck to reduce deflection power consumption.
- Low transmitting panel, black-matrix and pigmented phosphorus to enhance contrast.
- Quick-heating low-power cathode for instant picture.
- Implosion protection and full protection from X-ray radiation, to meet international safety requirements.

BMCC also sent staff to Japan for training. Prior to the start of production engineers and workers were sent to Japan Matsushita Electric Company to study the necessary technology. They

worked in the Matsushita factory under the guidance of Japanese engineers and workers, on the production line alongside Japanese, and were involved across all stages of manufacture. A number of Japanese managers, engineers and workers were assigned to BMCC to pass on their skills and teach Chinese staff how to operate their Matsushita production line. At the initial stage, BMCC sent about 250 Chinese staff to Japan to study the manufacturing and management methods of Matsushita Electric, and all stayed in there for about 5.5 months. After this, BMCC expanded rapidly to employ over two thousand staff members. In addition, about 200 Japanese staff were variously assigned to BMCC to help transfer Matsushita technology and management methods.

BMCC informed new staff that, in order to produce high quality products, it employs advanced production facilities and seeks superior workers who never ignore any possible defects. Workers went through a thorough training course before they could enter the production line. The training course consisted of three parts: BMCC's basic guiding principles and objectives; CRT technical know-how; and company employment regulations. In addition, because BMCC used Japanese management methods, staff were trained in those methods, in training courses lasting for three weeks full-time.

Production and Marketing According to the initial plan, production began two years after the signing of the agreement, i.e. 1st September 1989, but the first production line actually started on 1st July 1989, two months earlier than planned. The second production line was started on 1st May 1990, also two months earlier than the initial plan. A shift work system was applied to the second production line from June 1990, several months earlier than planned. By the end of 1992, BMCC had produced a total of about 5 million units, and in 1992 alone, BMCC produced 21", 19" and 14" FS CRTs to a total of about 2.06 million units.

Quality was a key factor. The quality of BMCC's CRT was considered to reach the international standards comparable with Matsushita's products in Japan. BMCC products all use the Matsushita trademark "Panasonic". BMCC was the first company in China to pass all 4 major safety standards. These are "UL" of the USA, "BSI" of the UK, "VDE" of Germany and "CAS" of Canada.

2.5. Investment Environment

BMCC considered two markets when making product decisions. These were TV factories and the end-users. Because the BMCC product is an intermediate product, it was sold to TV factories before end-users. For future development, BMCC will also pay more attention to both the domestic and international market, and both current and future market potential. About 80% of the total of BMCC's materials were sourced in China, with only 20% imported from Japan, but BMCC also faced international competition not only in quality but also in price, making continuing product development essential.

CASE THREE: Tianjin NEC Electronics & Communications Industry Co., Ltd

The purpose was to investigate key features of a longer established venture having made a proven contribution in its particular sector in China. NEC supplied its first NEAX61 public switching system in China to Tianjin in 1985 and since then, has supplied switching, optical transmission and radio transmission systems throughout China. In 1992, NEC further established Tianjin NEC Electronics & Communications Industry Co., Ltd. (TJNEC), a manufacturing and marketing subsidiary for switching systems. As a major supplier of telecommunications systems in Tianjin and other cities, NEC stated they have made a major contribution to the construction of a sound telecommunications infrastructure in Tianjin.

3.1. Motive

NEC, ranked forty-seventh in Fortune magazine's annual Global 500 survey, was Japan's fourth largest manufacturer in terms of non-consolidated sales. Since 1972, NEC established and developed its business in communications, computers and electronic devices across China, and has seen its annual sales grow to over 150 billion yen. The first NEC-China JV company was established in 1989, since when each of NEC's main products in China (semiconductors, digital switching systems, optical communications systems, mobile communications equipment. computers and software) have been produced domestically. As a result, NEC's overall

investment in China is valued at approximately US $1.8 billion while the company overall employs 6,000 people with 19 subsidiaries, making it the largest single Japanese corporation operating in China. In 1996, NEC established "NEC (China) Co., Ltd.", a holding company to manage all of its China business, and plan and progress further investment towards the Chinese domestic market.

3.2. Partner selection

TJNEC has capital of US $64 million, 35% held by NEC, 10% by Sumitomo Corporation, with the other 55% held by Tianjin Zhonghuan Computer Corporation and Tianjin Local Telephone Bureau. The Telecommunications Ministry, in this case, initiated their original mutual contact. Tianjin NEC Electronics & Communications Industry Co., Ltd (TJNEC) has more than 600 employees. There are 18 Japanese staff working in management and technical positions. The Chairperson of Directors Board was Chinese and its President Japanese, TJNEC began production on 1st January 1992. All employees are considered to have a high education level, many have graduated from professional colleges, and managers had university degrees.

3.3. Control and conflict

To control its JV, NEC not only appointed its own Japanese staff as key managers, it also required all Chinese employees to undergo its own specific management and enterprise culture training in order to place the Japanese management and operation style at the centre of the venture.

Employee training The top managers of TJNEC are required to view their employees as their most valuable resource. Therefore, if TJNEC employees possess the right skills and knowledge, it is argued they will provide maximum contribution to the company, for which reason TJNEC had established an Education Section to provide training courses with the aim of helping employees to improve their skills. Training was said to be provided in the following areas:

a) Initial training When new employees join the company they undergo three days initial training, including knowledge of production, basic understanding of "5S", characteristics of production line and sense of product quality etc. They then have ten days further "on the job" training which introduces them to the process of production and understanding the basic theory of production.

b) Project training This included practical training in the workshops to demonstrate product quality, special production skills and key procedures regarding technical problems.

c) Long term training Each manager from the mid and primary level management received six hours regular special training per month to improve both their technical and management skills.

d) Abroad training Mainly technical staff were sent to the Japanese parent company to have systematic training. Over 50 had been sent to Japan and training abroad was set to continue on a regular basis.

Learn Japanese management skills in the practice The Chinese managers and employees not only learn the theory of Japanese management skills, but also its practice. Through working with 18 Japanese staff, the Chinese could potentially observe the differences, and compare themselves. For example, on the factory floor all Japanese staff were treated as "nobody special" and did not remove their uniform, even during the warmest summers, since all employees must be uniformed. However, the Chinese themselves were much less strict. The Japanese Vice Managing Director always placed his cigarette ash in a small box to the amusement of Chinese staff. Asked why he did so, he replied that, though his ash is minute, if many others simply flicked ash on to the floor, how could the "5S" movement be carried out? He emphasized that so-called Japanese management was not only the methods or regulations, but also the conscience and spirit of the employees. Although other might consider this a trivial example such small matters were very much part of everyday management folklore.

Company's Slogans for NEC

These included:

Make NEC the Best Company in the World

Offer the World's Best Products.

A Cheerful Workplace.

Better Teamwork.

Zero Defects.

Such slogan were prominently depicted right across venture premises.

3.4. Performance

The main business of TJNEC was producing, selling, setting up, and maintaining NEAX61 digital switching machines, while providing training and system development. Its products were used in Northern China in up to ten provinces where they were considered successful in training communication capabilities generally.

3.5. Investment Environment

"5S" and ZD Movement The "5S" movement is a basic management method intended to encourage employees to better safeguard the working environment and to better observe working discipline. There was a "5S" management section regarding "5S" activities, including total "5S" management training, analysis of "5S" activities and rectification of errors. "5S" movement thus appears to support the operation of TJNEC in a positive way. The ZD movement is intended to eradicate mistakes and to increase business profitability. It also aims to instill a sense of teamwork throughout NEC. The movement dictates that employees of TJNEC must avoid making even the most trifling error, which could lead to product defect, as well as themselves having first-class technical skills. The elimination of defects will both improve the product quality and reduce its costs. Firstly, they must ensure that employees understand the necessity of ZD before introducing on-the-job practical training for the managers from primary level. Secondly, monthly employee appraisal was conducted to examine any quality related problem in

the process of "self-work", in order to monitor closely the product quality. Thirdly, based on the characteristics of product quality, according to the situation of supply and demand, the three classes of A, B and C were applied to quality management. Finally, to achieve quality at company level, it would regularly monitor and improve the areas of technology, quality, efficiency, cost, and marketing.

CASE FOUR: Beijing Taka-Q Leimeng Fashion Co., Ltd

The purpose was to investigate key features of a leading venture in the highly invested textile and fashion industry where, unlike Case 2 and 3, the relative importance of technology was less highly profiled, and other factors were given further consideration. Since a large amount of Japanese direct investment in China has been concentrated in the textile and fashion industries, the researcher finally chose a fashion industry enterprise in Beijing for an in-depth case study, including face to face interviews. Six top management representative were interviewed. Two were Japanese (the Managing Director of the company and the Director of the factory), and four Chinese (the Deputy Director of the company, the Head of Affairs Office, the Assistant Director of the factory and a Sales Manager of the Fashion Shop).

4.1. Motive

This Sino-Japanese Joint Venture fashion company was established in September 1992. Its total investment was Japanese Yen 1.3bn (equivalent to US $13m). The registered capital was Yen 0.7bn (US $7m). The Chinese side would invest 30%, and Japanese 70% of the total. There were 900 employees, and an annual output of 510,000 garments of all kinds, 65% of all production being exported. This company is an integrated business, in that it includes technology, production, marketing and trade, and has a fashion factory shop. The aim of the company is, through Sino-Japanese economic and technical co-operation, to utilise advanced production technology and management know-how and the experience of marketing, to establish and develop the production base and marketing network, and thereby produce profits. At the same time, it intends to use high quality products, fair prices and good service to increase the

competitiveness of the company in the world market, and continuously to expand overseas trade and reap good returns.

4.2. Partner selection

The Chinese parent of this JV Company, established in 1961, was the largest company in fashion production in Beijing fashion industry, and comprised 176 factories and 48,000 employees. Not only did it lead in size, but was also regarded as a leader in design, production, research, education and marketing in fashion. Its annual output approached 40m garments of all kinds. The parent company was one of the best-known fashion companies in China, has rich experience of the fashion business, and many factories with a long history of fashion production. There are a number of Japanese partners in the JV Company, including well-known companies such as Itoh Commerce Co., Ltd, but the main parent company was a leading company in Japanese fashion industrial circles, the largest commercial group holding many famous brands of goods around the world. It has 500 factories and shops in Japan and has many subsidiary companies overseas.

The JV Company had already been in business for three years, employing Japanese-style management skills from the inception. These skills have been codified through the company's "Japanese-style Management Skills Training Programme", from this programme we can see how this JAE formally managed its business.

Japanese-style Management Skills Training Programme

Objective, Target and Tutors To train and develop the skills of managers and workers in the company and allow them to operate and manage the company independently from the third year after start-up. The first stage was to set up a training tutor group, to transfer Japanese management skills. This group comprised members of both Chinese and Japanese staff and its task was to promote the implementation of the training plan, and to assess those staff who were involved in the training course. Next came training of 30 managers of the company through that tutor training group. Lastly, those 30 managers were, in turn, to train all relevant staff. The membership of this training group was four Japanese and three Chinese tutors.

Factory Management Training Specification

Japanese language education All members of the training course needed to learn basic Japanese, and be able to use a language handbook of corresponding terms. The learning methods were step-by-step from simple conversation, and training, through daily morning and evening meetings and general conferences.

Basic knowledge The principal vehicle for transfer of Japanese-style management skills, through the training course, was the study of those components listed below, which were considered by the Japanese to represent "basic management knowledge".

- Promoting methods of management,
- Enterprise organisation and organisational structure,
- Organisation function,
- Faults produced,
- Accident prevention and first aid,
- Standardisation, simplification and specialisation,
- Promoting methods of improving management,
- Activities to improve and raise management skill,
- Developing initiative.

It is not appropriate here to cover all these elements in details, but a selected expansion will give a clearer view of issues underlying certain key issues. For example, "promote methods of management" raised the following questions and issues of concern:

a.) What is active management and the responsibilities of the manager?

b.) What is on-the-spot management? (The five tasks of on-the-spot management: quality, output, cost, discipline & safety. How to grasp problems on the spot, explain problems on the spot to workers, and strengthen quality commitment)

c.) The analysis of the main areas of management.

d.) The definition of management terminology.

e.) Assignment and acceptance of instructions.

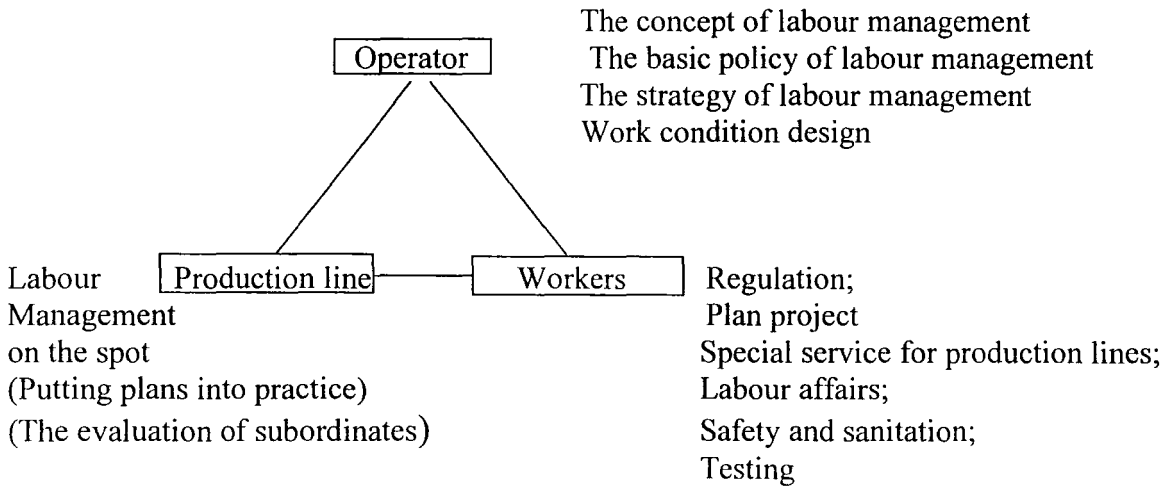
f.) Report, contact and discussion.

On the other hand, that element "promoting methods of *improving* management" was concerned chiefly with the key point that improvements must start from an awareness of problems, and

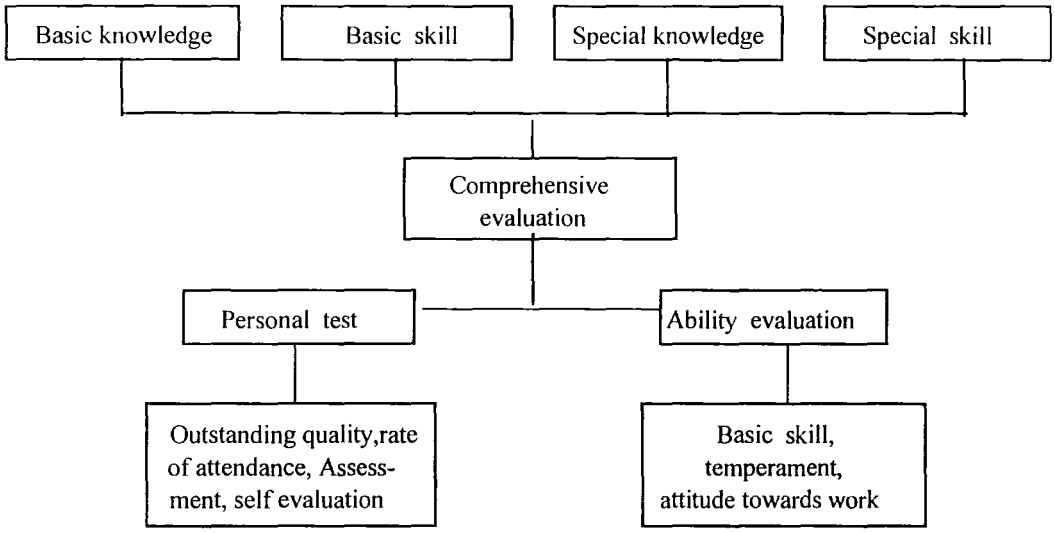
would comprise the elements of investigation, analysis, discussion, testing, examining. On the other hand again, the element "activities to improve and raise management *skill*", was concerned with key *tools*, such as 3S, 4S, 5S; ZD movement; QC.

4.3. Control and conflict

Labour Management Labour management is one of the most important elements in Japanese-style management. In this section, the training course gave some main pointers to managers, such as the purpose and ideal organisation of labour management, personnel matters, testing and assessment, the labour management of enterprise, aspects of general dissatisfaction on the site, labour policies, training through QC activity, suggestion and commendation systems, and production bonuses. It is interesting that Japanese tutors prepared many diagrams for the main pointers to helping engendering sound understanding for managers. Five in particular illustrate the training process. In the first, "the ideal organisation of labour management", Japanese tutors illustrate the trinity of operator, production line and workers.

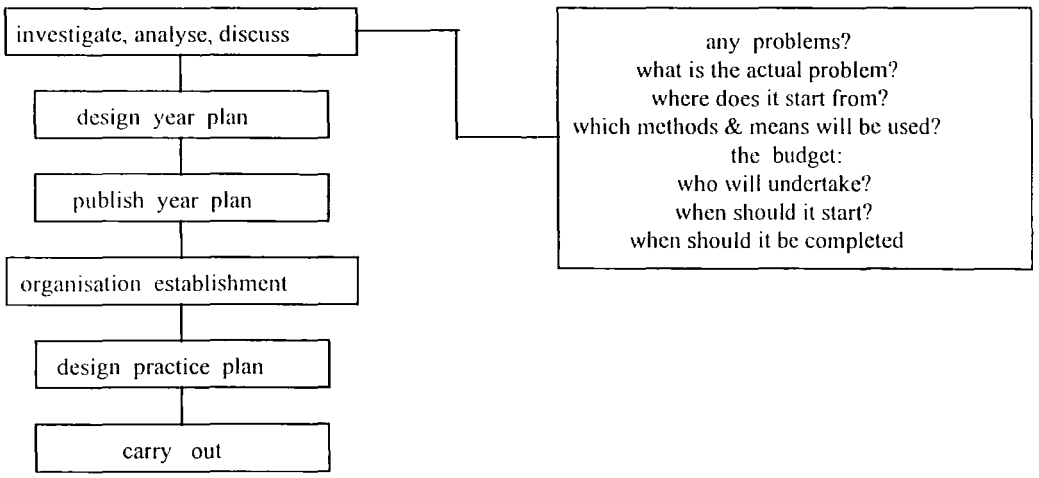


The second, illustrates the division of "the personnel matters test" content:



The third was concerned with "aspects of general dissatisfaction on the site". Four forms of staff dissatisfaction were indicated: dissatisfaction with treatment (salary and working conditions); dissatisfaction over management's failure to recognise labour's contribution (e.g. achievement, existing values, personal disparities); dissatisfaction over the lack of information (explaining and publishing the policy and plan before the event, during development and in the result); and dissatisfaction arising as a result of lack of understanding of site conditions (personnel problems, equipment and machinery and environmental problems).

The fourth concerns labour policy. Investigation, analysis and discussion would continue about how pay will increase working consciousness of workers and establish a long-term policy based on:



4.4. Performance

Production management Production Management was the other main aspect of Japanese-style management. Here, managers were said to need, initially, to understand the definition, systems and main function of production management. They need to learn the organisation and function of management, the methods of making annual and monthly plans, and the relevant documentation, methods of promoting of production line production, and cost management. The Japanese tutors characterised the production management system as the control system and structure for establishing, issuing and carrying out the production plan, recording the results, and adjusting to the plan. The key elements of such a system were considered to the follows:

◦ Planning product type and amount; ◦ Making plans for affiliated equipment; ◦ Planning equipment, staff and production patterns; ◦ Establishment of project order, standard time, quality and cost etc.; ◦ Planning ordering of goods; ◦ Checking material stocks and initiating the purchase of merchandise; ◦ the planning of project schedule; ◦ Preparation and publishing documents on production techniques and types; ◦ Quality control, progress control,	◦ equipment management and safety management; ◦ Adjustment of relationship between operation, design and material; ◦ Determination and recording of results; ◦ Settling difference between practice and plan; ◦ Evaluation of production result; ◦ Organisation & function of management; ◦ Labour policies (initiative, education and training); ◦ Promoting ZD movement and QC activities.

It was pointed out that there are three main factors, which hamper the structural factors, and machinery factors. Managers need to determine the reasons and to settle the problems.

Finally, emphasis is placed upon the managers recording results of production line production. and cost accounting. Recording results of production line production

Ledger	Ledger of production line products, the progress table of production Line workshop production, record of production line workshop Production, ledger of external processes, the ledger of substandard products in the workshop.
Statistics	Time table of customer and products production, the statistical chart Of production line production results.

Cost accounting (unit price, project price)

Schedule cost of product production line	Measure of production line productivity, Distribution table of production line fixed expenses, the plan of department's production line fixed & variable expenses.
Real cost of product production line	Table of production results, the distribution of the production line fixed expenses, department production line fixed & variable expenses.

By analyzing each respective case in term of the theoretical framework previously outlined the same structure was applied right across them all and their potential comparability further enhanced.

Chapter Ten

Conclusions and Recommendations

1. Introduction

Various model explanations for Japanese and Chinese viewpoints were discussed in the chapter before. These were constructed from a variety of different sources, but clearly focused upon the key variables identified throughout this whole study. Now the leading priorities, approach, and key findings of the research are finally concluded, and the wider developmental implications assessed.

2. Sino-Japanese Context

China and Japan share an intricate historical relationship which outsiders find difficult to understand. Iriye (op cit) indeed argues it is difficult to be enough of a "China-and-Japan" specialist to fully enlighten this historic relationship. More recently the emphasis in their historic relationship has changed, having become increasingly economic as well. Thus mutual trade, and incoming Japanese aid and investment are all more highly profiled than before, and even taken as indicative of East Asian prosperity generally. Yet, whatever its original entry mode, FDI can only be fully realised through further organisation and management, although debate over the effects of entry mode continue (Isobe, Makino, Montgomery, 2000). While newly emerging international business and management thought increasingly acknowledges its post-entry requirements, it has not usually considered how this occurs within Sino-Japanese contexts however. Although China only officially reopened to FDI just over twenty years ago when the Japanese were still gaining new international venturing experience elsewhere, the sectors concerned have often been closely controlled with the Offshore Chinese taking the lead. Right until the early 1990's the Japanese were considered surprisingly slow investors into China itself and their position still generates much debate even now (Taylor, 1996; Naughton 1997; Rong,

1999) while China is a major investment destination. To acknowledge that complexity this study has attempted to observe the historical, economic, political, cultural and personality context of the JAEs under study, while focusing upon their evolving organisation and management.

That focus is considered important because, while there are more studies of foreign direct investment and joint ventures in China, these have not necessarily concentrated upon their further developing management. Thus Child (1994) considered that, despite this accumulation, there was still much that needed to be known about such management and not just when ventures were first founded. This study therefore attempts to redress any possible imbalance by applying an independent model of IJV development process and its management as seen from both Japanese and Chinese perspectives.

3. Research Priorities

This research sought detailed knowledge of the management of JAEs and their overall pattern of their development. Although based and conducted within China itself the very fact that these were often – though not entirely – manufacturing joint ventures had important implications. In particular this meant understanding how both Japanese and Chinese interests were represented in manufacturing ventures and what perspective they each brought to them. To gain a more impartial appreciation an independently developed model of IJVs based upon the work of Harrigan, Parkhe and others was applied throughout. This model identified motives, partner selection, control and conflict, performance, and the investment environment surrounding IJVs as key variables for further study.

Although these variables address the overall character of IJVs, rather than any one particular recognised management speciality, it proved useful for investigating their development over time. While an in-depth explanation of each key variable was discussed in the previous chapter it is, of course, their mutual interaction and fit within JAEs which determines their overall character, performance, and respective partners relationships. To understand the latter it was particularly important to obtain top ranking managers' own viewpoints.

4. Research Approach

The research approach therefore sought a balanced understanding of Japanese and Chinese perspectives upon JAEs' management and overall development thus far. As a result the approach adopted had certain distinguishing features. To begin with it was considered to be exploratory given the prevailing state of knowledge concerning IJVs later development and the relative newness of many JAEs themselves. As well as being exploratory it was also China-based and not focussed upon "parent" companies. It was furthermore, in Western terms, a top/senior management board sample, where most respondents were highly ranked, having spent varying lengths of time within JAEs themselves. Organisationally many such ventures were relatively young and/or still evolving as well as relatively small scale compared with their parent companies. The approach was therefore aimed at enabling senior managerial respondents to give an overall assessment of relatively green-field JAEs evolving over time while also indicating how they judged their possible future. Although a limited quantity and quality of response to questionnaires appears relatively common to research in China the amount of detail requested here could perhaps only have been provided by relatively senior and experienced managers and officials. In addition the research approach sought both quantitative and qualitative data from the combination of questionnaires, case study and interviews used. To limit its overall scope, and make it more manageable, the field research was manufacturing focussed, within selected areas of China. Although that touches upon other issues associated with Japanese aid and assistance, along with growing (though still much smaller scale) service sector interests, including retailing and consumption, these were judged outside the scope of this study, although later research by Lu (2000) had drawn cross-sectional comparisons. Likewise, the field research was conducted before Hong Kong was officially handed over, whereas its incorporation into China raised questions about how the considerable Japanese business and commercial interests there were to be classified. Finally the approach was conditioned by the whole economic situation at mid-decade before the Asian crisis intervened. Although there were some problematic performers among the ventures studied most were previously relatively growth conscious businesses. The relationship between this and subsequent research will be outlined at the end of this concluding chapter.

5. Key Research Results

Using the fivefold variable model outlined before these key results can be briefly summarised thus:

5.1. Motives

JAEs themselves were very much smaller than their parent companies. Some JAEs were pathfinding experiments for those Japanese parents who had only made one major investment in China thus far. However a number had made between 2-5 such investments already and would anticipate more. Otherwise some variation in the way possible motives were expressed became apparent following the case study interviews in particular. For example, in Cases Two and Three. it was clearly intended that standards should exceed those of Chinese State Enterprises even though these were some Japanese parents' first preferred partners. Other publicly expressed motives cited such wide ranging phrases as "to devote ourselves to the further development of world culture" for example. For that reason it proved important to examine key respondents' own definitions of what the founding motives were. Typical leading Japanese motives were related to accessing the Chinese domestic market, taking advantage of low labour costs and, with reference to broader state policy, internationalising the parent company generally. For Chinese respondents the corresponding motives concerned technology and management transfer, growing the Chinese domestic market, and exporting foreign currency earning goods. Taken together both partners therefore reported a range of motives overall. The length of contractual agreements nevertheless suggested that Japanese partners applied longer timescales. Given the age of these JAEs, and the limited time most respondents had worked in them, a number were still short of full maturity, while a significant percentage indicated there would be no further major reinvestment, even though after operating improvements were sought. Those who argue for the importance of entry mode as an exploration for later performance should clearly give consideration to how motives at entry are ascertained, from whom, and at what stage of venture development they are being obtained.

5.2. Partner Selection

As with the discovery of what the key executives consider to be the leading motives for seeking to find JAEs, this process can be difficult to study and observe directly while it actually happens. Respondents' varying length of experience suggests they did not necessarily experience the original selection process themselves. Otherwise these findings identified certain differences between respective partners. For example the Japanese emphasised geographical proximity of location while Chinese respondents emphasised management know-how, and both emphasised selected non-economic factors as well. In general the Japanese had a wider choice of potential partner, and employed a wide range of channels, both official and nonofficial, to gather potential information, as well as having greater potential experience of partner selection elsewhere. Equally they might increasingly short-circuit this process, particularly regarding wholly owned ventures in this sample, the number of which has increased generally, though with variation in resulting performance. Judged from these responses few were then contemplating partner de-selection while even cases of admitted partner mis-selection appeared few. Where applicable co-operation agreements were often relatively long term and with some time to run. However. as indicated before, there are more options available to the Japanese when selecting a partner. For that reason the Chinese considered they had less choice, and were less powerful accordingly.

5.3. Control, Differences and Conflict

Mixed motives for joint venturing in the first place, and differing means for mutual partner selection, raises questions about how respective partners would control JAEs, and how this might create scope for differences and conflict. However, since most, if not all, JAEs were relatively small, often employing less than 200, frequently with few if any Japanese on site, any such differences were not highly profiled, particularly when this implied partners "losing face". Despite their limited presence overall, Japanese typically headed technology and equipment, production operations, and (particularly international) marketing specialisms within these ventures. Chinese typically headed general affairs, secretariat, and personnel specialisms and, rather surprisingly, some finance designated specialisms too. To some extent these specialisms

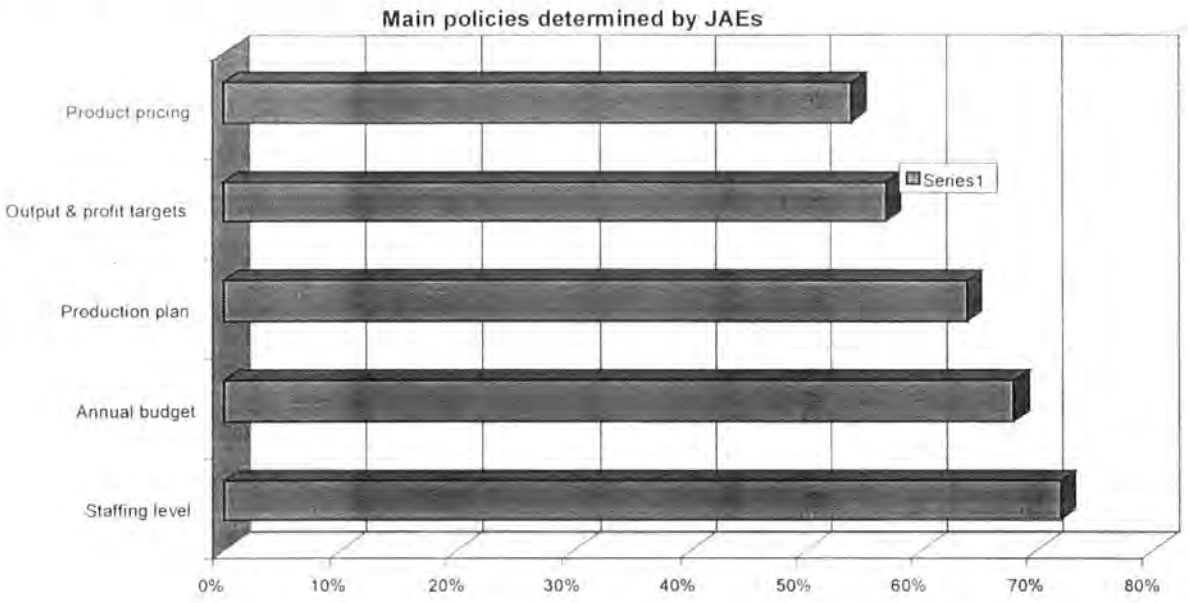
afforded distinctive functional control to respective partners while there were further distinctions between who filled Chair of Board of Directors and presidential positions.

But there were also certain ambiguities. For example, although the Chinese typically headed personnel, the Japanese were still credited with holding power over key recruitment policies. Similarly the Chinese often headed finance specialisms which they claimed only enjoyed limited control over matters like product pricing and output/profit targeting within JAEs themselves. Close mutual interaction was also suggested regarding exposure to certain Japanese management and/or staff working and training methods, which some Chinese considered they would particularly benefit from. On the other hand those Japanese managers who were least familiar with China found it more problematic than others, implying that greater mutual exposure might help some features of joint "enterprise culture" develop over time, as similar mutual responses to the research questionnaire would imply. With few Japanese on site, and fewer still being interviewed in other research studies like Taylor (1999), there is a limited on-site Japanese presence overall among manufacturing ventures particularly.

Exactly how far this mutualizing enterprise culture had developed, and whether it would endure serious setbacks and reversals, was difficult to determine however. Although the findings regarding continued partnering would suggest few were planning to exit from these ventures, it must be noted that many Chinese have been officially encouraged to appear publicly positive about these matters, whatever their actual reservations, and some could later choose to exit and "sell" their interests if more of these were converted over to wholly owned ventures instead.

In this research JAEs generally secured what might be called "selective autonomy" in how they determined their policies relative to their parents, as Figure 10-1 below demonstrates:

Figure 10-1: Main policies determined by JAEs



Where autonomy was more limited, if not actually withheld, Japanese parents were held most responsible, not least regarding matters concerning technology transfer and international sales and marketing. However, many Chinese respondents obeyed the custom of not openly criticising their own Chinese partner companies in this respect. Finally there were differences between Japanese and Chinese regarding how potential conflicts were understood and expressed – differences which outsiders may find difficult understand if they were not natives to either country. With their differing national interests and identity there was considerable potential scope for differences and conflict built into these ventures from that background factor alone. Such differences may well underscore what otherwise appear more technical and business related disputes.

5.4. Performance

This poses critical issues for JAEs. Since 60% were only between 2-4 years old, and 23% had not yet reached full production stage, judgements could still partly depend upon prior expectations however. In some senses such judgements were as much qualitatively as quantitatively based. Certain cultural and personality factors lay behind this. For example, there

are limits to how openly and critically Chinese will discuss such issues with outsiders and/or foreigners. Any inference of success or failure can have some bearing upon "face" in this regard. Moreover researchers can find it difficult to check such assertions against written/statistical evidence. This research, like that of Lu (op cit), therefore relied heavily upon respondents' own perceptual judgements of performance against specified criteria like profitability, turnover, growth, market coverage, and future plans for example. Although there were some variations between respective partners' knowledge about these matters – over 20% of all respondents did not know their JAEs turnover for example – there was some general satisfaction, without necessarily assuming this performance would continue in future. So, while a majority (63%) was judged profitable, a significant minority of JAEs were only breaking even, or incurring losses at this time, before any Asian crisis intervened. Without having reached full maturity, there was some residual preference for intensifying/extending production rather than reinvesting, implying recognised scope for performance improvement.

This occurred even where improvement may customarily be regarded as a more Japanese than Chinese preoccupation. Chinese respondents appeared less convinced about how improvements would be brought about. Likewise, regarding knowledge of market performance, Chinese respondents believed the Japanese were more informed, and more in control over international channels in particular, yet still believed the Japanese were originally more concerned with China's own domestic market. However, the practice of re-exporting back to Japan would partly explain this response, although it does raise further issues. For example any such re-exporting raises issues of transfer pricing and tax regulation, particularly where respondents considered their JAEs had limited discretion over product pricing generally. On the other hand, particularly in the case study ventures, Chinese managers would keenly point out their export achievements, as if this would give these ventures added status and reputation. However, the belief that technology transfer was limited, and on-site research and development was similarly restricted, was judged to limit future potential performance, although Fan and Chi (1999) found that Japanese affiliated ventures perform better in labour than capital intensive sectors generally.

5.5. Investment Environment

The theoretical model applied proposed that JAEs interaction with "hard" and "soft" factors would influence performance over time. In China any clear-cut distinction between individual venture and the state in its various forms can prove artificially misleading. However. any direct questioning about politics is nevertheless still very sensitive in China's present transitional state, and this research elicited few responses about it. The main finding was that, when differing from Chinese responses, the Japanese judged these issues more seriously in general, and were also more reserved about how much/well this environment would be improved. Through time the Japanese had switched attention from "hard" to "soft" factors as their main object of concern, having learnt to do so from experience. The better facilitation of cash flow, laws, regulations, and communications were of more apparent concern to them than for many Chinese partners, although many Japanese had chosen their original location relatively conservatively. How much of a blockage this investment environment posed to JAEs performance was difficult to qualify, but it was clear that, despite previous improvements, a number of respondents believed more could be done, even if they differed over how and when this might best occur.

The Japanese have more rigorous expectations about the standard of environmental maintenance. Because they are more environmentally conscious, they deem it important that China should match their standards, or at least become comparable to them, in terms of upkeep and respect. The Chinese, however, being accustomed to their own existing standards, do not regard this as necessary to bettering JAR performance.

6. Wider Developmental Implications

This study was concerned with the differing interests that JAEs encounter in China. From this base it is possible to outline a range of different possible development paths for JAEs in future. For these purposes these development paths reflect what they might ideally aspire to develop towards. These paths respectively relate to interstate relationships between China and Japan generally; the guiding investment focus; overall JAE management strategy itself; and differences

and conflicts, in that chosen order. This order has been chosen because, as was emphasised throughout this study, even existing JAEs investment and management can only be explained against its wider context (Deng, 1999), and now that context may itself change compared with when this research originally began.

6.1. Interstate Relationships

A vitally important part of the context concerns the relationships between China and Japan generally. Respective states play an important role both here and across East Asia at large. The main potential development paths therefore appear thus:

From:	Towards:
Vertical Economic Nationalism	Horizontal Economic Complementarity
High Political Sensitivity	Greater Economic Sensitivity
Developmental Divergence	Mutual "Business Culture"

Both the Chinese and Japanese states basically set the overall public agenda for JAE development. Formerly matters like restricted investment flows and opportunities and technology transfers attracted considerable official attention. This study suggests that, if greater economic complementarity is to be achieved, investment should continue to become a less political and more economically sensitive official matter. However, for China, this could still prove difficult given the presence of state and party officials and also continued political instruction within the workplace itself. Japan may likewise appreciate China's transitional economy and move towards a more "business culture" before further mutual understanding will arise.

6.2. Guiding Investment Focus

Appropriate investment into China needs to be suitably guided. The state variously sanctions or supports some part of this process. The main further development paths would therefore appear thus:

From:	Towards:
Sectoral Divisions / Inequalities	Sectoral Equalisation
Variable Investment Cycles	Stable Investment Flows
Aspiring Investment Environment	Developed Investment Environment
Restrictive Technology Transfer	Growing Technology Transfer

Compared with the Offshore Chinese, and particularly Hong Kong, the Japanese were not considered leading forward foreign investors in China. Often smaller business groups led the way, especially in more accessible sectors like food and textiles, right through into the mid 1990's, making others like Matsushita admittedly high profile exceptions. The Chinese state similarly restricted entry into certain sectors under its control while trading potential domestic market access for investment and technology elsewhere. An increasing spread of accessible sectors, attracting more stable investment flows, with more advanced technology transfers appears necessary for still greater JAEs development, especially as WTO entry approaches. However this research observed a number of difficult constraints in this respect. Indeed, it highlights basic differences in how the Chinese and the Japanese judge the present situation alone, as regards the investment environment and chances of it being improved for example. It has been suggested that this environment discourages further investment while also holding existing venture performance back. Yet this alone can hardly explain Japan's investment rising record, even though the Chinese often accept environmental problems as if normal, and do not treat them with similar urgency. Overshadowing all this were the wider effects and consequences of the Asian crisis to come however. Since over 80% of all China's incoming FDI then originated from other Asian economies, particularly Hong Kong, where the Japanese have alternative investment interests, and since these economies are also major markets for Chinese products, there were major questions over where this left China even before WTO entry (World

Investment Report, 1998). Speculation about China's original role, and subsequent response to that crisis continues, and also embraces Japan, which has different development problems from most.

6.3. JAE Management Strategy

To repeat, this may only develop within the opportunities and constraints identified above, since the Chinese state can still be represented within the JAE workplace for example. Otherwise the main development possibilities can be summarised thus:

From:	**Towards:**
Mixed Motives	Complementary Motives
Inexperienced Partnering	Informed Partnering
Mature Products	Rising Products
Downgradeable Technology	Developable Technology
Marketing Blockages	Marketing Knowledge
Collective Workforce	Enterprise Culture
Conflict Potential	Conflict Management
Transferable Management	Management Handover
Exit Restriction	Exit Options

For these JAEs original founding motives were found to be mixed. In some respects they could well have been pathfinders for other potential ventures ahead. In that respect their success would seem apparent from continuing Japanese investment since. To make the most of their opportunities respective motives should increasingly complement each other. Otherwise the realisation of complementarity between China and Japan at large will remain problematic. For that reason the process of partner selection, when still sought, could now become better informed along with additional ownership options. Considering the lack of mutual knowledge before, partners are now potentially better informed, with a range of other examples and precedents to follow, not necessarily as complex as the Matsushita case previously described. Indeed, the currently increasing number of foreign wholly owned ventures across China suggests that, in some cases, partnering is no longer the only, or indeed the best, possible option for Japanese business interests. The number of wholly owned JAEs in this study suggests this trend started

some time ago, although there are still questions about the effects of ownership change upon venture performance (Lu, op cit).

6.4. Differences and Conflict Management

Primary conflicts for JVs are often structural by nature; other secondary conflicts are that concerning political, cultural, social and personality issues. Each appears in the process of joint venture regarding: motive, partner selection, control and conflict, performance and investment environment. To many such conflicts in JAEs, there is the possibility of: 1) avoiding the structural conflict by establishing more Japanese wholly owned ventures or 2) skilled management and well-exercised conflict-control actions.

Other developments partly depend upon current and future JAEs better accessing, not just mature, but new and rising product lines, of which there were only ever limited indications. Although some Chinese found technological development difficult to judge the addition of newer and rising product lines would pose challenges. Their design, development and manufacture could well require accessing more local Chinese research as well as basic component capability through Japanese and/or other outside linkages. In addition some Chinese concerns about limitations upon their wider market knowledge deserve further consideration, since where this requires more mutual team based activity, that could also mean overcoming any barriers associated being either a Japanese or a Chinese national within the workplace itself.

That would bring the further development of a mutualized enterprise culture into clearer focus. While this research has emphasised the potential scope for differences and conflict originally brought into JAEs by virtue of their surrounding context it could be made more manageable through better conflict resolution. 'Learning from the Japanese' (Ma, 1997) may therefore prove a transitional phase before more JAE management is not just "handed over" but firmly realised within China generally. From the rather limited Japanese on-site presence observed in this research, that 'hand over' has already begun, although there may still be limits to how far it will go, particularly amongst more high technology based ventures (Taylor, op cit). The resort to wholly owned ventures might be one constructive solution to this problem. New exit options

may well be sought under changing circumstances, including the option to exit from joint venture to other arrangements, rather than simply closing ventures down, although few studies apart from Fan and Chi (op cit) explicitly refer to closures as such.

6.5. Progressing Further Research

The 1990s saw wide-ranging economic changes in and between Japan and China. More such changes can be, and officially are, expected in future. Further research should therefore become aligned to these changes while proceeding from what has already been established now. Neither an Asian crisis nor recovery was evident when this particular research study began. Other recent research has nevertheless taken these both into consideration even though Japan and China were not necessarily directly affected themselves.

These further studies offer some support for certain key findings advanced here. China has now been the single most favoured destination for Japanese FDI since the mid 1990s, even taking any wider Asian crisis and recovery into consideration. Their mutual trade has again reached record levels (JETRO, 2000a). The overall picture arising from this particular research study was likewise one of steady, though not spectacular progress and growth among Japanese manufacturing involvement, these being relatively new, green-field ventures that respective managers considered were largely profitable or break even level performers few would contemplate exiting from. Lu (op cit) likewise found these to be largely, though not exclusively, manufacturing rather than trading/service based joint ventures at or near profitable performance for the year 1997. Subsequent studies further underlined continuing Japanese intentions to expand and/or intensify such ventures right through into the middle and long term future. With few reportedly considering exiting from such before (Isobe, Makina, and Montgomery, 2000). Proportionately more such respondents emphasized reinvestment rather than green-field ventures in that regard, although JETRO's own later questionnaire survey of manufacturers (JETRO, 2000b) reported not only increasing or recovering sales and performance levels, but confirmation that China would remain the single most preferred destination for Japanese FDI as well.

One particularly important trend which became apparent through this study, has been the rise of wholly owned rather than just joint venturing within China. Some reports suggest that in 2000, as many as 93 of the 213 foreign funded enterprises established in Beijing were foreign wholly owned ventures (*People's Daily*, 5/2/2001). To some extent this could have occurred because the increasing capital intensity of these ventures required that foreign interests become better protected than before. It is also possible that one-time Chinese partners cannot leverage the required capital themselves, while some may even contemplate selling their interest in joint ventures to alleviate such capital constraints, or come to other arrangements with foreign partners that allow them greater management control.

Further research should not just keep pace with these overall developments however. In addition, it needs to explore and explain continuing movements along those particular dimensions identified before. This may well necessitate researchers employing more than just sample survey based methodologies, and, as Taylor (op cit) has demonstrated, adding more qualitative depth of understanding as well. Sino-Japanese business would then become more comparable over time, and also with other preferred subjects, for international business and management research in general, which would indeed mark China finally returning to the world economic – and also academic – stage.

Note

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Appendix I

Statistics for the Questionnaire Survey of JAEs in Four Cities of China

This questionnaire has been divided into four sections: Origin, Founding, Operations and Environment. The first section provides general information about Japanese and Chinese parent companies and their investment motivation and partner selection.

The second section provides information about the establishment and administration of Japanese Affiliated Enterprises (JAE) in China.

The third section covers the control and conflict, performance and results of JAE in China.

The fourth section covers the politics, economics, technology, society and culture applied in competitive environment to influences to the JAE in China.

ENTERPRISE NAME: _____

ADDRESS: _____

		Responses	%
YOUR POSITION:	* General manager:	29	36%
	* Vice general manager:	26	32%
	* Other:	22	27%
	* Not known	4	5%
YOUR NATIONALITY:	* Chinese:	70	86%
	* Japanese:	10	12%
	* Other:	1	1%
How long have you been working			
A) in any enterprise:	* 1 -10 years:	22	27%
	* 11-20 years:	21	26%
	* Over 20 years:	32	40%
	* Not known:	6	7%
B) in the current enterprise:	* 1 - 5 years:	68	84%
	* 6 -10 years:	7	9%
	* Over 10 years:	0	
	* Not known:	6	7%

SECTION ONE: ORIGIN

1. Name of Chinese parent company: _____

2. Name of Japanese parent company: _____

3. Type of Chinese parent company:

* State company:	48	59%
* Collective company:	12	15%
* Township company:	6	7%
* Private company:	0	
* Other:	2	2%
* Not known	13	16%

4. Type of Japanese parent company:

* Trading house:	28	35%
* Bank:	1	1%
* Manufacturing company:	60	74%
* Other:	7	9%

5. Number of Chinese parent company employees:

* 1 - 250:	11	14%
* 251 - 500:	14	17%
* 501 - 1000:	8	10%
* 1001 - 2000:	10	12%
* Over 2000:	20	25%
* Not known:	18	22%

6. Number of Japanese parent company employees:

* 1 - 250:	24	30%
* 251 - 500:	8	10%
* 501 - 1000:	9	11%
* 1001 - 2000:	5	6%
* Over 2000:	21	26%
* Not known:	14	17%

7. How many other enterprises does the Japanese parent company invest in China?

* Only one:	34	42%
* 2 - 5:	38	47%

* 6 - 10:	7	9%
* Over 10:	1	1%
* Not known	1	1%

8. How would you assess the importance of the following factors to Japanese company for investing in China? (Please tick number)

(Very important = 3, Important = 2, Not important = 1)

Market attraction:	* 3:	36	
	* 2:	29	80%
	* 1:	3	3%
Raw material coats:	* 3:	11	
	* 2:	30	51%
	* 1:	13	16%
Labour costs:	* 3:	35	
	* 2:	31	81%
	* 1:	4	5%
State policy:	* 3:	16	
	* 2:	38	67%
	* 1:	5	6%
International competition:	* 3:	3	
	* 2:	18	26%
	* 1:	15	19%
International strategy:	* 3:	16	
	* 2:	24	49%
	* 1:	8	10%
Avoidance of trade friction:	* 3:	1	
	* 2:	5	7%
	* 1:	25	31%
Other:	* 3:	4	
	* 2:	3	9%
	* 1:	2	2%

9. Why did the Chinese choose their Japanese partner? (Please tick the most applicable)

Financial / economic strength:	19	23%
Technology and equipment:	51	63%
Management skill:	36	44%
Access to key materials:	3	4%
Marketing:	33	41%
Possession of patent right & trade mark:	11	14%
Strong reputation in business sector:	28	35%
Other:	9	11%
Not known:	11	14%

10. Did your parent company establish initial contact through any of the following?

Trade exhibition or tech fair:	12	15%
Hired consultant:	4	5%
Introduction through Japanese embassy or other trade liaison organization:	21	26%
Direct Chinese solicitation of your parent company:	8	10%
Chinese business delegation in Japan:	14	17%
Other:	29	36%
Not known:	8	10%

11. How does the Japanese parent company monitor and analyse the Chinese market? (Please tick the most applicable)

Consultants in Japan:	18	22%
Consultants in Hong Kong:	6	7%
Consultants in China:	42	52%
Japanese-language business publications:	5	6%
Chinese-language business publications:	4	5%
Representative office in China:	21	26%
Trips to China to meet officials / end-users:	36	44%
Other:	12	15%
Not known:	3	4%

SECTION TWO: FOUNDING

12. Please indicate the type of your enterprise.

Joint venture:	60	74%
Co-operative venture:	7	9%
Wholly foreign-owned:	14	17%

13. Which percentage of Japanese & Chinese ownership in your enterprise?

Japanese:	* 1 -25%:	8	10%
	* 26-50%:	37	46%
	* 51-75%:	18	22%
	* 76-100%:	17	21%
	* Not known:	1	1%
Chinese:	* 1 -25%:	4	5%
	* 26-50%:	46	57%
	* 51-80%:	16	20%
	* Not known:	1	1%
Other:	* 1 -25%:	3	4%
	* 26-50%:	2	2%

14. Length of co-operation agreement in your enterprise?

* 1 -10 years:	14	17%
* 11-20 years:	50	62%
* 21-30 years:	5	6%
* Over 30 years:	12	15%

15. What form does both Chinese and Japanese investment take (please tick the most applicable)?

Cash:	Chinese:	46	57%
	Japanese:	73	90%
Building:	Chinese:	36	44%
	Japanese:	8	10%
Machinery and equipment:	Chinese:	19	23%
	Japanese:	36	44%
Production material:	Chinese:	10	12%
	Japanese:	12	15%
Labour:	Chinese:	20	25%
	Japanese:	2	2%
Industrial property right:	Chinese:	4	5%
	Japanese:	6	7%
Know-how:	Chinese:	2	2%
	Japanese:	24	30%
Site use right:	Chinese:	27	33%
	Japanese:	4	5%
Other:	Chinese:	0	
	Japanese:	2	2%

16. Total number of enterprise employees:

* 1 - 50:	25	31%
* 51 - 100:	10	12%
* 101 - 200:	16	20%
* 201 - 500:	17	21%
* Over 500:	11	14%
* Not known:	2	2%

Number of Japanese staff in the enterprise:

* 1 - 5:	48	59%
* 5 - 10:	7	9%
* Over 10:	6	7%
* No Japanese:	16	20%
* Not known:	4	5%

17. Did your enterprise go into operation?

Yes, into operation	1 - 5 years:	63	78%
	6 - 10 years:	16	20%
No:		2	2%

SECTION THREE: OPERATION

18. What is your enterprise's operational mode?

Manufacturing:	73	90%
Processing:	13	16%
Repairing:	4	5%
Other:	8	10%

19. What are the main departments and who control it in your enterprise?

Personnel department:	* Chinese:	70	86%
	* Japanese:	9	11%
	* Other:	0	
Finance department:	* Chinese:	64	79%
	* Japanese:	21	26%
	* Other:	0	
General affairs:	* Chinese:	59	73%
	* Japanese:	7	9%
	* Other:	0	
Technology & equipment department:	* Chinese:	28	35%
	* Japanese:	44	54%
	* Other:	1	1%
Manufacturing department:	* Chinese:	44	54%
	* Japanese:	40	49%
	* Other:	1	1%
Marketing department:	* Chinese:	50	62%
	* Japanese:	35	43%
	* Other:	0	
Secretariat:	* Chinese:	49	60%
	* Japanese:	5	6%
	* Other:	1	1%
Other:	* Chinese:	9	11%
	* Japanese:	3	4%
	* Other:	0	

20. Who are normally Chairman of the Board and President? (please tick one from each A and B)

A.		
Chairman is Chinese:	53	65%
Chairman is Japanese:	28	35%
B.		
President is Chinese:	36	44%
President is Japanese:	45	56%

21. Please indicate which of the following main policies of your enterprise is determined by: (Enterprise itself = E, Japanese parent enterprise = JPE, Chinese parent enterprise = CPE)

A. Annual budget:

* E:	55	68%
* JPE:	5	6%
* CPE:	1	1%
* E & JPE:	5	6%
* E & CPE:	3	4%
* JPE & CPE:	4	5%
* E & JPE & CPE:	11	14%
* Not known:	1	1%

B. Output & profit targets

* E:	46	57%
* JPE:	6	7%
* CPE:	2	2%
* E & JPE:	9	11%
* E & CPE:	3	4%
* JPE & CPE:	4	5%
* E & JPE & CPE:	13	16%
* Not known:	1	1%

C. Production plans

* E:	52	64%
* JPE:	6	7%
* CPE:	1	1%
* E & JPE:	14	17%
* E & CPE:	2	2%
* JPE & CPE:	1	1%
* E & JPE & CPE:	6	7%
* Not known:	1	1%

D. Product pricing

* E:	44	54%

* JPE:	10	12%
* CPE:	3	4%
* E & JPE:	17	21%
* E & CPE:	1	1%
* JPE & CPE:	1	1%
* E & JPE & CPE:	5	6%
* Not known:	2	2%

E. Staffing level

* E:	58	72%
* JPE:	4	5%
* CPE:	4	5%
* E & JPE:	4	5%
* E & CPE:	2	2%
* JPE & CPE:	2	2%
* E & JPE & CPE:	9	11%
* Not known:	1	1%

22. Does your enterprise reach full production stage?

Yes, this stage reached	* 1 - 5 years ago:	52	64%
	* 6 - 10 years ago:	5	6%
	* Over 10 years ago:	0	
No, will reach this stage	* After 1 - 3 years:	19	23%
	* After 4 - 6 years:	0	
Not known:		5	6%

23. What is the source of your enterprise revolving fund? (Please tick the most applicable)

* Japanese parent company:	40	49%
* Japanese bank loan:	6	7%
* Chinese parent company:	14	17%
* Chinese bank loan:	39	48%
* The loan of foreign bank in China:	10	12%
* The loan of other country bank:	0	
* Other:	18	22%
* Not known:	6	7%

24. If your enterprise has imported technology from Japan, please indicate the type (Please tick the most applicable):

* Machinery operating:	46	57%
* Machinery maintenance:	23	26%

* Production:	63	78%
* Production design:	28	35%
* Research & development:	13	16%
* Other:	2	2%
* Not known:	6	7%

25. Did your enterprise import any special Japanese management methods?

Yes:	68	84%
If yes, please tick as many as applicable:		
* Japanese salary system:	16	20%
* Quality control circles:	40	49%
* "5S" (Arrange, Rectify, Eliminate, Clear, Educate):	57	70%
* Enterprise internal welfare system:	29	36%
* Enterprise length of service system:	24	30%
* Other:	8	10%
No:	9	11%
Not known:	4	5%

26. What training method does your enterprise use for employees (please tick whichever applies):

* On-the-job training:	66	81%
* Outside training:	11	14%
* On-the-job & outside training:	9	11%
* Training in Japan:	63	78%
* Other:	2	2%

27. Has your enterprise sent employees to Japan for training?

Yes:	63	78%
* If yes, please indicate the number of employees sent to Japan:		
* 1-30:	47	58%
* 31-60:	9	11%
* over 60:	6	7%
* If yes, please indicate that how long were they sent for:		
* Under one month:	14	17%
* 1-3 months:	25	31%
* 4-6 months:	11	14%
* Over half year:	16	20%
No:	19	24%

28. Has your enterprise advertised products or services in China?

Yes:	52	64%
If yes,		
A. Please indicate in what media:		
* Journals:	24	30%
* Newspapers:	36	44%
* Radio:	14	17%
* Television:	21	26%
* Billboards:	10	12%
* Direct mail:	14	17%
* Sponsoring an event:	15	19%
* Other:	20	25%

B. What has been the response to your enterprise's China advertising:

* Absolutely no response:	0	
* Some inquiries, but no sales:	5	6%
* Moderate sales generated:	35	43%
* Significant increase in sales:	11	14%
No:	29	35.8%

29. What is your enterprise's marketing region? (Please enter approximate proportion)

In Chinese domestic market:	* 1 -25%:	18	22%
	* 26-50%:	11	14%
	* 51-75%:	8	10%
	* 76-100%:	25	31%
In Japanese domestic market:	* 1 -25%:	9	11%
	* 26-50%:	11	14%
	* 51-75%:	9	11%
	* 76-100%:	24	30%
In markets other than China & Japan:	* 1 -25%:	23	28%
	* 26-50%:	14	17%
	* Over 50%:	3	4%

30. In the Chinese domestic market are your products sold by:

* Japanese parent company:	4	5%
* Chinese parent company:	4	5%
* Your enterprise:	66	81%
* Other Chinese company:	1	1%

* Other:	0

31. In markets other than China are your products sold by

* Japanese parent company:	54	67%
* Chinese parent company:	3	4%
* Your enterprise:	26	32%
* Other Chinese company:	1	1%
* Other Japanese company:	5	6%
* Other:	0	

32. What factors are crucial to competitive advantage in the Chinese market, as compared with other Asian markets?

(No advantage = 1, Some advantage = 2, Crucial advantage = 3)

		China		Other Asian markets	
Low base price:	* 1:	8	10%	3	4%
	* 2:	28	35%	18	22%
	* 3:	8	10%	10	12%
High quality:	* 1:	0		0	
	* 2:	8	10%	4	5%
	* 3:	57	70%	39	48%
Service back-up:	* 1:	2	2%	0	
	* 2:	12	15%	11	14%
	* 3:	27	33%	6	7%
Warranty:	* 1:	7	9%	2	2%
	* 2:	2	2%	6	7%
	* 3:	10	12%	3	4%
Mass advertising:	* 1:	0		3	4%
	* 2:	6	7%	4	5%
	* 3:	4	5%	1	1%
Technology sharing:	* 1:	1	1%	1	1%
	* 2:	6	7%	4	5%
	* 3:	7	9%	1	1%
Low installation costs:	* 1:	2	2%	1	1%
	* 2:	11	14%	3	4%
	* 3:	5	6%	3	4%
Attractive payment terms:	* 1:	2	2%	1	1%
	* 2:	12	15%	4	5%
	* 3:	1	1%	1	1%
Top product design:	* 1:	1	1%	0	
	* 2:	13	16%	9	11%
	* 3:	20	25%	9	11%
Quantity discount:	* 1:	2	2%	2	2%
	* 2:	8	10%	4	5%

	* 3:	1	1%	0	
Maintenance-free use:	* 1:	2	2%	0	
	* 2:	8	10%	5	6%
	* 3:	7	9%	2	2%

33. When comparing the period of January to June between this and last year, what happened to the turnover of your enterprise? (please enter approximate proportion)

Higher than last year:	* 1 - 5%:	2	2%
	* 6 -10%:	6	7%
	* 11-50%:	25	31%
	* Over 50%:	20	25%
Similar last year:		4	5%
Lower than last year:	* 1 - 5%:	0	
	* 6 -10%:	0	
	* Over 10%:	4	5%
Not known:		19	23%

34. Now, is your enterprise in profit?

Yes:	51	63%
* Under 3%:	12	15%
* 3% - 8%:	18	22%
* 8% - 15%:	11	14%
* Over 15%:	10	12%
No:	15	19%
If no, please indicate the level:		
* Small deficit:	15	19%
* Large deficit:	0	
Balance of receipts and payments:	14	17%
Not known:	1	1%

35. How do your products compare with Japanese parent company's?

* Finished products of similar designs:	11	14%
* Partly-finished products of similar designs:	10	12%
* Similar products but the parent's are of higher standard:	21	26%
* Similar products but the parent's are of lower standard:	2	2%
* Similar products:	36	44%
* Different products:	15	19%
* Not known:	3	4%

SECTION FOUR: ENVIRONMENT

36. What problems have you experienced with your enterprise development?

* Cash flow difficult:	46	57%
* Extra expense of transfer account:	3	4%
* Excessive entertainment expenses:	17	21%
* High cost of goods & materials storage:	12	15%
* Difficult to get Chinese visas & work permits:	3	4%
* Problems in training local managers & technical staff:	18	22%
* Inefficiency of local government:	15	19%
* Problems of developing domestic market:	23	28%
* Ineffective laws and regulations:	29	36%
* Lack of local knowledge:	5	6%
* Poor infrastructure:	12	15%
* Unstable political situation:	0	
* Low production efficiency:	5	6%
* Other:	12	15%

37. Does your enterprise encounter any impedance to importation of Japanese technology & equipment? (Please tick applicable)

No:	51	63%
Yes:	27	33%
* Japanese government restrictions on exportation of new & high technology:	3	4%
* Japanese parent company restrictions on provision of new & high technology:	2	2%
* Poor co-operation between Chinese & Japanese staff:	0	
* Chinese government policy:	3	4%
* Low educational level of Chinese employees:	7	9%
* Chinese employees lack knowledge required:	4	5%
* Language barriers:	17	21%
* Other:	2	2%
Not known:	3	4%

38. What do you think are the main impedances to the importation of Japanese management methods? (please tick as many as applicable)

No impedance:	29	36%
Yes, there are:	48	59%
* Differences between Chinese & Japanese politics & social systems:	19	24%
* Differences between Chinese & Japanese cultures & traditions:	29	36%
* Differences between Chinese & Japanese economic & business systems:	36	44%

* Language barriers on both sides:	23	28%
* Poor co-operation between Chinese & Japanese staff:	2	2%
* Low educational level of Chinese employees:	12	15%
* Other:	5	6%
Not known:	4	5%

39. Is your enterprise going to increase investment or not?

* No:	45	56%
* Yes:	36	44%
* Probably reduce:	0	
* Probable withdraw:	0	

40. Is your enterprise going to increase output & type of products or not?

Yes:	76	94%
No:	5	6%

41. Will your enterprise continue to co-operate with its current partner or not?

Continue to co-operation:	74	91%
Look for a new partner:		0
Not known:	7	9%

All respondents were divided into three groups: Chinese, Japanese and both of them together. This was then divided into five headings such as: T = total responses; S = responses from small size companies (1 - 200 employees); M = medium size companies (201 - 500 employees); L = large size companies (over 500 employees); N = Company size not known. The Japanese respondents however had no medium size companies, so only "T, S, L, N" were listed for them.

Table 1: Status of Respondents

1: YOUR POSITION														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
General Manager	21	17	3	---	1	8	5	2	1	**29**	22	3	2	2
	30%	24%	4%	---	1%	80%	50%	20%	10%	**36%**	27%	4%	2%	2%
Vice ge. Manager	26	12	7	6	1	---	---	---	---	**26**	12	7	6	1
	37%	17%	10%	8%	1%	---	---	---	---	**32%**	15%	9%	7%	1%
Other	20	13	5	1	1	2	1	1	---	**22**	14	5	2	1
	28%	18%	7%	1%	1%	20%	10%	10%	---	**27%**	17%	6%	2%	1%
Not known	4	3	1	---	---	---	---	---	---	**4**	3	1	---	---
	6%	4%	1%	---	---	---	---	---	---	**5%**	4%	1%	---	---
Total	71	45	16	7	3	10	6	3	1	**81**	51	16	10	4
	100 %	63%	23%	10%	4%	100 %	60%	30%	10%	**100 %**	63%	20%	12%	5%

Table 2: Work Experience of Respondents

2: HOW LONG HAVE YOU BEEN WORKING IN THE ENTERPRISE?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
In any enterprise														
1 - 10. years	18	11	4	2	1	4	1	2	1	**22**	12	4	4	2
	25%	15%	6%	3%	1%	40%	10%	20%	10%	**27%**	15%	5%	5%	2%
11 - 20. years	19	13	4	1	1	2	2	---	---	**21**	15	4	1	1
	27%	18%	6%	1%	1%	20%	20%	---	---	**26%**	19%	5%	1%	1%
Over 20 year	28	17	6	4	1	4	3	1	---	**32**	20	6	5	1
	39%	24%	8%	6%	1%	40%	30%	10%	---	**40%**	25%	7%	6%	1%
Not known	6	4	2	---	---	---	---	---	---	**6**	4	2	---	---
	8%	6%	3%	---	---	---	---	---	---	**7%**	5%	2%	---	---
In the current enterprise														
1 - 5. years	59	38	13	6	2	9	5	3	1	**68**	43	13	9	3
	83%	54%	18%	8%	3%	90%	50%	30%	10%	**84%**	53%	16%	11%	4%
6 - 10. years	6	3	1	1	1	1	1	---	---	7	4	1	1	1
	8%	4%	1%	1%	1%	10%	10%	---	---	**9%**	5%	1%	1%	1%
Not known	6	4	2	---	---	---	---	---	---	**6**	4	2	---	---
	8%	6%	3%	---	---	---	---	---	---	**7%**	5%	2%	---	---

Table 3: Type of Chinese company

3. TYPE OF CHINESE PARENT COMPANY														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
State company	42	25	10	4	2	6	5	1	---	**48**	30	10	5	2
	59%	35%	14%	6%	3%	60%	50%	10%	---	**59%**	37%	12%	6%	2%
Collective company	12	10	2	---	---	---	---	---	---	**12**	10	2	---	---
	17%	14%	3%	---	---	---	---	---	---	**15%**	12%	2%	---	---
Township company	6	5	2	---	---	---	---	---	---	**6**	5	2	---	---
	8%	7%	3%	---	---	---	---	---	---	**7%**	6%	2%	---	---
Other	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
Not known	9	3	2	3	2	4	1	2	1	**13**	4	2	5	3
	13%	4%	3%	4%	3%	40%	10%	20%	10%	**16%**	5%	2%	6%	4%

Table 4: Type of Japanese company

4. TYPE OF JAPANESE PARENT COMPANY														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Trading house	23	17	4	1	2	5	3	1	1	**28**	20	4	2	3
	32%	24%	6%	1%	3%	50%	30%	10%	10%	**35%**	25%	5%	2%	4%
Bank	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
Manufac -turing	53	32	13	5	4	7	3	3	1	**60**	35	13	8	5
	75%	45%	18%	7%	6%	70%	30%	30%	10%	**74%**	43%	16%	10%	6%
Other	6	3	1	2	---	1	---	---	1	**7**	3	1	2	1
	8%	4%	1%	3%	---	10%	---	---	10%	**9%**	4%	1%	2%	1%

Table 5: Number of Chinese parent company employees

5. NUMBER OF CHINESE PARENT COMPANY EMPLOYEES														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
001-250	11	10	1	---	---	---	---	---	---	**11**	10	1	---	---
	15%	14%	1%	---	---	---	---	---	---	**14%**	12%	1%	---	---
251-500	14	10	4	---	1	---	---	---	---	**14**	10	4	---	1
	20%	14%	6%	---	1%	---	---	---	---	**17%**	12%	5%	---	1%
501-1000	6	5	1	---	---	2	2	---	---	**8**	7	1	---	---
	8%	7%	1%	---	---	20%	20%	---	---	**10%**	9%	1%	---	---
Over1000	27	15	8	4	1	3	2	1	---	**30**	17	8	5	---
	38%	21%	11%	6%	1%	30%	20%	10%	---	**37%**	21%	10%	6%	---
Not known	13	6	1	3	2	5	2	2	---	**18**	8	1	5	---
	18%	8%	1%	4%	3%	50%	20%	20%	---	**22%**	10%	1%	6%	---

Table 6: Number of Japanese parent company employees

6. NUMBER OF JAPANESE PARENT COMPANY EMPLOYEES														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
001-250	23	22	1	---	---	1	1	---	---	**24**	23	1	---	---
	32%	31%	1%	---	---	10%	10%	---	---	**30%**	28%	1%	---	---
251-500	5	3	1	---	1	3	2	---	1	**8**	5	1	---	3
	7%	4%	1%	---	1%	30%	20%	---	10%	**10%**	6%	1%	---	4%
501-1000	9	4	4	1	---	---	---	---	---	**9**	4	4	1	---
	13%	6%	6%	1%	---	---	---	---	---	**11%**	5%	5%	1%	---
Over1000	22	8	7	6	1	4	2	2	---	**26**	10	7	8	1
	31%	11%	10%	8%	1%	40%	20%	20%	---	**32%**	12%	9%	10%	1%
Not known	12	8	3	---	1	2	1	1	---	**14**	9	3	1	1
	17%	11%	4%	---	1%	20%	10%	10%	---	**17%**	11%	4%	1%	1%

Table 7: Number of Japanese parent company investments in China

7. HOW MANY OTHER ENTERPRISES DOES JAPANESE PARENT COMPANY INVEST IN CHINA?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Only one	30	22	6	---	2	4	3	1	---	**34**	25	6	1	2
	42%	31%	8%	---	3%	40%	30%	10%	---	**42%**	31%	7%	1%	2%
2 - 5	34	19	7	7	2	4	2	1	1	**38**	21	7	8	3
	48%	27%	10%	10%	3%	40%	20%	10%	10%	**47%**	26%	9%	10%	4%
6 - 10	5	3	2	---	---	2	1	1	---	**7**	4	2	1	---
	7%	4%	3%	---	---	20%	10%	10%	---	**9%**	5%	2%	1%	---
Over 10	1	---	1	---	---	---	---	---	---	**1**	---	1	---	---
	1%	---	1%	---	---	---	---	---	---	**1%**	---	1%	---	---
Not known	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---

Table 8: Why did the Japanese choose Chinese companies?

(Note: 3 = Very important, 2 = Important, 1 = Not important)

8. HOW WOULD YOU ASSESS THE IMPORTANCE OF THE FOLLOWING FACTORS TO JAPANESE COMPANIES FOR INVESTING IN CHINA?														
	CHINESE					JAPANESE				CHINESE & JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Market														
3	32	20	6	3	2	4	3	1	---	**36**	23	6	4	2
2	24	14	8	3	1	5	3	1	1	**29**	17	8	4	2
	56	34	14	6	3	9	6	2	1	**65**	40	14	8	4
	79%	48%	20%	8%	4%	90%	60%	20%	10%	**80%**	49%	17%	10%	5%
1	3	3	---	---	---	---	---	---	---	**3**	3	---	---	---
	4%	4%	---	---	---	---	---	---	---	**4%**	4%	---	---	---
Material														
3	10	6	4	---	1	1	1	---	---	**11**	7	4	---	1
2	25	12	10	2	2	5	3	1	1	**30**	15	10	3	3
	35	18	14	2	3	6	4	1	1	**41**	22	14	3	4
	49%	25%	20%	3%	4%	60%	40%	10%	10%	**51%**	27%	17%	4%	5%
1	12	9	---	3	---	1	1	---	---	**13**	10	---	3	---
	17%	13%	---	4%		10%	10%	---	---	**16%**	12%	---	4%	---
Labour														
3	32	19	8	5	1	3	3	---	---	**35**	22	8	5	1
2	26	16	8	2	2	5	2	2	1	**31**	18	8	4	3
	58	35	16	7	3	8	5	2	1	**66**	40	16	9	4
	82%	49%	23%	10%	4%	80%	50%	20%	10%	**81%**	49%	20%	11%	5%
1	4	3	---	---	---	---	---	---	---	**4**	3	---	---	---
	6%	4%	---	---	---	---	---	---	---	**5%**	4%	---	---	---
Policy														
3	13	10	3	---	---	3	2	1	---	**16**	12	3	1	---
2	34	20	6	7	2	4	2	1	1	**38**	22	6	8	3
	47	30	9	7	2	7	4	2	1	**54**	34	9	9	3
	66%	42%	13%	10%	3%	70%	40%	20%	10%	**67%**	42%	11%	11%	4%
1	5	3	2	---	---	---	---	---	---	**5**	3	2	---	---
	7%	4%	3%	---	---	---	---	---	---	**6%**	4%	2%	---	---
Competition														
3	1	---	1	1	1	2	1	1	---	**3**	1	1	2	1
2	17	8	4	4	---	1	1	---	---	**18**	9	4	4	---
	18	8	5	5	1	3	2	1	---	**21**	10	5	6	1
	25%	11%	7%	7%	1%	30%	20%	10%	---	**26%**	12%	6%	7%	1%
1	13	10	2	1	---	2	2	---	---	**15**	12	2	1	---
	18%	14%	3%	1%	---	20%	20%	---	---	**19%**	15%	2%	1%	---
Strategy														

3	13	6	4	1	1	3	2	1	---	**16**	8	4	2	1
2	22	11	7	4	---	4	3	1	---	**24**	14	7	5	---
	35	17	11	5	1	7	5	2	---	**40**	22	11	7	1
	49%	24%	15%	7%	1%	70%	50%	20%	---	**49%**	27%	14%	9%	1%
1	8	6	1	1	---	---	---	---	---	**8**	6	1	1	---
	11%	8%	1%	1%	---	---	---	---	---	**10%**	7%	1%	1%	---
Avoidance														
3	---	---	---	---	---	1	---	1	---	**1**	---	---	1	---
2	4	1	2	1	---	1	---	1	---	**5**	1	2	2	---
	4	1	2	1	---	2	---	2	---	**6**	1	2	3	---
	6%	1%	3%	1%	---	20%	---	20%	---	**7%**	1%	2%	4%	---
1	22	13	5	4	---	3	3	---	---	**25**	16	5	4	---
	31%	18%	7%	6%	---	30%	30%	---	---	**31%**	20%	6%	5%	---
Other														
3	4	4	---	---	---	---	---	---	---	**4**	4	---	---	---
2	3	2	1	---	---	---	---	---	---	**3**	2	1	---	---
	7	6	1	---	---	---	---	---	---	**7**	6	1	---	---
	10%	8%	1%	---	---	---	---	---	---	**9%**	7%	1%	---	---
1	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---

Table 9: Why did the Chinese choose Japanese partners?

9. WHY DID THE CHINESE CHOOSE THEIR JAPANESE PARTNER?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Finance &	16	11	3	2	1	3	2	1	---	**19**	13	3	3	1
economy	23%	15%	4%	3%	1%	30%	20%	10%	---	**23%**	16%	4%	4%	1%
Tech. &	46	29	12	4	2	5	3	1	---	**51**	32	12	5	2
equipment	65%	41%	17%	6%	3%	50%	30%	10%	---	**63%**	40%	15%	6%	2%
Manage-	31	20	6	4	2	5	3	1	---	**36**	23	6	5	2
ment skill	44%	28%	8%	6%	3%	50%	30%	10%	---	**44%**	28%	7%	6%	2%
Materials	3	2	---	1	---	---	---	---	---	**3**	2	---	1	---
	4%	3%	---	1%	---	---	---	---	---	**4%**	2%	---	1%	---
Marketing	29	18	8	3	---	4	3	---	---	**33**	21	8		---
	41%	25%	11%	4%	---	40%	30%	---	---	**41%**	26%	10%		---
Patent	9	4	4	2	---	2	2	---	---	**11**	6	4	2	---
right	13%	6%	6%	3%	---	20%	20%	---	---	**14%**	7%	5%	2%	---
Strong	24	15	6	---	1	4	2	1	---	**28**	17	6	1	1
reputation	34%	21%	8%	---	1%	40%	20%	10%	---	**35%**	21%	7%	1%	1%
Other	9	9	---	---	---	---	---	---	---	**9**	9	---	---	---
	13%	13%	---	---	---	---	---	---	---	**11%**	11%	---	---	---
Not	7	2	2	3	2	4	1	2	1	**11**	3	2	5	3
known	10%	3%	3%	4%	3%	40%	10%	20%	10%	**14%**	4%	2%	6%	4%

Table 10: Initial business contact

9. DID YOUR PARENT COMPANY ESTABLISH INITIAL CONTACT THROUGH ANY OF THE FOLLOWING?															
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Exhibition	12	3	7	3	---	---	---	---	---	**12**	3	7	3	---
Tech. fair	17%	4%	10%	4%	---	---	---	---	---	**15%**	4%	9%	4%	---
Hired	3	3	---	---	---	1	1	---	---	**4**	4	---	---	---
consultant	4%	4%	---	---	---	10%	10%	---	---	**5%**	5%	---	---	---
Embassy,	18	10	6	2	---	3	2	---	---	**21**	12	6	2	---
liaison	25%	14%	8%	3%	---	30%	20%	---	---	**26%**	15%	7%	2%	---
Chinese	6	3	2	1	---	2	1	1	---	**8**	4	2	2	---
Solicitation	8%	4%	3%	1%	---	20%	10%	10%	---	**10%**	5%	2%	2%	---
Delegation	14	9	2	3	---	---	---	---	---	**14**	9	2	3	---
in CN / JP	20%	13%	3%	4%	---	---	---	---	---	**17%**	11%	2%	4%	---
Other	26	20	5	---	2	3	2	1	1	**29**	22	5	1	3
	37%	28%	7%	---	3%	30%	20%	10%	10%	**36%**	27%	6%	1%	4%
Not	6	2	2	1	2	2	---	1		**8**	2	2	2	
known	8%	3%	3%	1%	3%	20%	---	10%		**10%**	2%	2%	2%	

Table 11: How did the Japanese monitor and analyse the Chinese market?

11. HOW DOES THE JAPANESE PARENT COMPANY MONITOR AND ANALYSE THE CHINESE MARKET?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Consultant	15	10	1	3	---	3	1	2	---	**18**	11		5	---
in Japan	21%	14%	1%	4%	---	30%	10%	20%	---	**22%**	14%		6%	---
Consultant	4	3	1	---	---	2	2	---	---	**6**	5	1	---	---
in HK	6%	4%	1%	---	---	20%	20%	---	---	**7%**	6%	1%	---	---
Consultant	34	23	6	2	3	8	5	2	1	**42**	28	6	4	4
in China	48%	32%	8%	3%	4%	80%	50%	20%	10%	**52%**	35%	7%	5%	5%
Japanese	4	3	1	---	---	1	1	---	---	**5**	4	1	---	---
publication	6%	4%	1%	---	---	10%	10%	---	---	**6%**	5%	1%	---	---
Chinese	2	2	---	---	---	2	2		---	**4**	4	---	---	---
publication	3%	3%	---	---	---	20%	20%		---	**5%**	5%	---	---	---
Office in	18	10	5	2	1	3	3	---	---	**21**	13	5	2	1
China	25%	14%	7%	3%	1%	30%	30%	---	---	**26%**	16%	6%	2%	1%
Meet users	32	16	9	5	2	4	3	1	---	**36**	19	9	6	2
& officials	45%	23%	13%	7%	3%	40%	30%	10%	---	**44%**	23%	11%	7%	2%
Other	11	8	3	---	---	1	---	1	---	**12**	8	3	1	---
	15%	11%	4%	---	---	10%	---	10%	---	**15%**	10%	4%	1%	---
Not	2	---	1	1	---	1	1	---	---	**3**	1	1	1	---
known	3%	---	1%	1%	---	10%	10%	---	---	**4%**	1%	1%	1%	---

Table 12: Type of enterprise

12. PLEASE INDICATE THE TYPE OF YOUR ENTERPRISE														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Joint	55	36	12	5	2	5	4	1	---	**60**	40	12	6	2
venture	77%	51%	17%	7%	3%	50%	40%	10%	---	**74%**	49%	15%	7%	2%
Co-op.	6	5	1	---	---	1	1	---	---	**7**	6	1	---	---
venture	8%	7%	1%	---	---	10%	10%	---	---	**9%**	7%	1%	---	---
Japanese	10	4	2	3	1	4	1	2	1	**14**	5	2	5	2
owned	14%	6%	3%	4%	1%	40%	10%	20%	10%	**17%**	6%	2%	6%	2%

Table 13: Percentage of ownership

13. WHICH PERCENTAGE OF JAPANESE & CHINESE OWNERSHIP IN YOUR ENTERPRISE														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Japanese														
1-25%	8	6	2	---	---	---	---	---	---	**8**	6	2	---	---
	11%	8%	3%	---	---	---	---	---	---	**10%**	7%	2%	---	---
26-50%	34	22	7	3	2	3	3	---	---	**37**	25	7	3	---
	48%	31%	10%	4%	3%	30%	30%	---	---	**46%**	31%	9%	4%	---
51-75%	16	11	3	2	---	2	1	1	---	**18**	12	3	3	---
	23%	15%	4%	3%	---	20%	10%	10%	---	**22%**	15%	4%	4%	---
76-100%	12	6	2	3	1	5	2	2	1	**17**	8	2	5	2
	17%	8%	3%	4%	1%	50%	20%	20%	10%	**21%**	10%	2%	6%	2%
Not	1	---	1	---	---	---	---	---	---	**1**	---	1	---	---
known	1%	---	1%	---	---	---	---	---	---	**1%**	---	1%	---	---
Chinese														
1-25%	4	4	---	---	---	---	---	---	---	**4**	4	---	---	---
	6%	6%	---	---	---	---	---	---	---	**5%**	5%	---	---	---
26-50%	40	27	8	4	1	6	4	2	---	**46**	31	8	5	1
	56%	38%	11%	6%	1%	60%	40%	20%	---	**57%**	38%	10%	6%	1%
51-80%	16	11	4	---	1	---	---	---	---	**16**	11	4	1	---
	23%	15%	6%	---	1%	---	---	---	---	**20%**	14%	5%	1%	---
Not	1	---	1	---	---	---	---	---	---	**1**	---	1	---	---
known	1%	---	1%	---	---	---	---	---	---	**1%**	---	1%	---	---
Other														
1-25%	3	3	---	---	---	---	---	---	---	**3**	3	---	---	---
	4%	4%	---	---	---	---	---	---	---	**4%**	4%	---	---	---
26-50%	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---

Table 14: Length of co-operation agreement

14. LENGTH OF CO-OPERATION AGREEMENT IN YOUR ENTERPRISE														
	C H I N E S E					J A P A N E S E				CHINESE & JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
1 - 10	12	9	2	---	1	2	2	---	---	**14**	11	2	---	1
years	17%	13%	3%	---	1%	20%	20%	---	---	**17%**	14%	2%	---	1%
11 - 20.	45	30	10	4	1	5	4	---	1	**50**	34	10	4	2
years	63%	42%	14%	6%	1%	50%	40%	---	10%	**62%**	42%	12%	5%	2%
21 - 30	4	2	1	1	---	1	---	1	---	**5**	2	1	2	---
years	6%	3%	1%	1%	---	10%	---	10%	---	**6%**	2%	1%	2%	---
Over 30	10	4	2	3	1	2	---	2	---	**12**	4	2	5	1
years	14%	6%	3%	4%	1%	20%	---	20%	---	**15%**	5%	2%	6%	1%

Table 15: Chinese and Japanese investment forms

15. WHAT FORM DOES BOTH CHINESE & JAPANESE INVESTMENT TAKE?														
	C H I N E S E					J A P A N E S E				CHINESE & JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Cash														
Chinese	43	28	11	4	1	3	2	1	---	**46**	30	11	5	1
	61%	39%	15%	6%	1%	30%	20%	10%	---	**57%**	37%	14%	6%	1%
Japanese	64	39	14	8	2	9	6	2	1	**73**	45	14	10	3
	90%	55%	20%	11%	3%	90%	60%	20%	10%	**90%**	56%	17%	12%	4%
Building														
Chinese	33	24	6	2	1	3	4	---	---	**36**	28	6	2	1
	46%	34%	8%	3%	1%	30%	40%	---	---	**44%**	35%	7%	2%	1%
Japanese	5	3	---	2	---	3	1	1	1	**8**	4	---	3	1
	7%	4%	---	3%	---	30%	10%	10%	10%	**10%**	5%	---	4%	1%
Machinery & equipment														
Chinese	16	12	2	1	1	3	3	---	---	**19**	15	2	1	1
	23%	17%	3%	1%	1%	30%	30%	---	---	**23%**	19%	2%	1%	1%
Japanese	32	25	3	2	2	4	3	1	---	**36**	28	3	3	2
	45%	35%	4%	3%	3%	40%	30%	10%	---	**44%**	35%	4%	4%	2%
Production material														
Chinese	10	8	1	---	1	---	---	---	---	**10**	8	1	---	1
	14%	11%	1%	---	1%	---	---	---	---	**12%**	10%	1%	---	1%
Japanese	10	7	---	2	1	2	1	1	---	**12**	8	---	3	1
	14%	10%	---	3%	1%	20%	10%	10%	---	**15%**	10%	---	4%	1%
Labour														
Chinese	19	14	2	2	1	1	1	---	---	**20**	15	2	2	1
	27%	20%	3%	3%	1%	10%	10%	---	---	**25%**	19%	2%	2%	1%
Japanese	1	---	---	1	---	1	---	---	1	**2**	---	---	1	1

	1%	---	---	1%	---	10%	---	---	10%	**2%**	---	---	1%	1%
Industrial property right														
Chinese	4	4	---	---	---	---	---	---	---	**4**	4	---	---	---
	6%	6%	---	---	---	---	---	---	---	**5%**	5%	---	---	---
Japanese	4	1	1	2	---	2	1	1	---	**6**	2	1	3	---
	6%	1%	1%	3%	---	20%	10%	10%	---	**7%**	2%	1%	4%	---
Know-how														
Chinese	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
Japanese	21	10	6	4	1	4	3	1	---	**25**	13	6	5	1
	30%	14%	8%	6%	1%	40%	30%	10%	---	**31%**	16%	7%	6%	1%
Site use right														
Chinese	24	17	3	1	1	---	---	---	---	**24**	17	3	1	1
	34%	24%	4%	1%	1%	---	---	---	---	**30%**	21%	4%	1%	1%
Japanese	2	---	---	2	---	2	1	1	---	**4**	1	---	3	---
	3%	---	---	3%	---	20%	10%	10%	---	**5%**	1%	---	4%	---
Other														
Chinese	---	---	---	---	---	---	---	---	---	**---**	---	---	---	---
Japanese	1	1	---	---	---	1	---	1	---	**2**	1	---	1	---
	1%	1%	---	---	---	10%	---	10%	---	**2%**	1%	---	1%	---

Table 16: Number of enterprise employees

16. TOTAL NUMBER OF THE ENTERPRISE EMPLOYEES														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
1-50	17	17	---	---	---	2	2	---	---	**19**	19	---	---	---
	24%	24%	---	---	---	20%	20%	---	---	**23%**	23%	---	---	---
51-100	14	14	---	---	---	1	1	---	---	**15**	15	---	---	---
	20%	20%	---	---	---	10%	10%	---	---	**19%**	19%	---	---	---
101-200	14	14	---	---	---	3	3	---	---	**17**	17	---	---	---
	20%	20%	---	---	---	30%	30%	---	---	**21%**	21%	---	---	---
201-500	15	---	15	---	---	---	---	---	---	**15**	---	15	---	---
	21%	---	21%	---	---	---	---	---	---	**19%**	---	19%	---	---
Over500	8	---	---	8	---	3	---	3	---	**11**	---	---	11	---
	11%	---	---	11%	---	30%	---	30%	---	**14%**	---	---	14%	---
Not known	3	1	---	---	3	1	---	---	1	**4**	1	---	---	4
	4%	1%	---	---	4%	10%	---	---	10%	**5%**	1%	---	---	5%
NUMBER OF JAPANESE STAFF IN THE ENTERPRISE														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
1 - 5	40	30	8	1	---	8	6	2	---	**48**	36	8	3	---
	56%	42%	11%	1%	---	80%	60%	20%	---	**59%**	44%	10%	4%	---

6 - 10	6	1	3	2	---	1	---	1	---	**7**	1	3	3	---
	8%	1%	4%	3%	---	10%	---	10%	---	**9%**	1%	4%	4%	---
Over 10	6	---	2	4	---	---	---	---	---	**6**	---	2	4	---
	8%	---	3%	6%	---	---	---	---	---	**7%**	---	2%	5%	---
No	16	9	1	---	---	---	---	---	---	**16**	9	1	---	---
Japanese	23%	13%	1%	---	---	---	---	---	---	**20%**	11%	1%	---	---
Not	3	3	3	---	---	1	---	---	1	**4**	3	3	---	1
known	4%	4%	4%	---	---	10%	---	---	10%	**5%**	4%	4%	---	1%

Table 17: Time into operation

17. DID YOUR ENTERPRISE GO INTO OPERATION														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Yes, into operation														
1 - 5.	56	36	11	6	2	7	4	2	1	**63**	40	11	8	3
years	79%	51%	15%	8%	3%	70%	40%	20%	10%	**78%**	49%	14%	10%	4%
6 - 10.	13	6	5	2	---	3	2	1	---	**16**	8	5	3	---
years	18%	8%	7%	3%	---	30%	20%	10%	---	**20%**	10%	6%	4%	---
No	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---

Table 18: Enterprise's operational mode

18. WHAT IS YOUR ENTERPRISE'S OPERATIONAL MODE?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Manufac-	64	40	14	7	3	9	5	3	1	**73**	45	14	10	4
turing	90%	56%	20%	10%	4%	90%	50%	30%	10%	**90%**	56%	17%	12%	5%
Processing	12	9	3	---	---	1	---	---	---	**13**	9	3	---	---
	17%	13%	4%	---	---	10%	---	---	---	**16%**	11%	4%	---	---
Repairing	4	4	---	---	---	---	---	---	---	**4**	4	---	---	---
	6%	6%	---	---	---	---	---	---	---	**5%**	5%	---	---	---
Other	7	6	---	1	---	1	1	---	1	**8**	7	---	1	1
	10%	8%	---	1%	---	10%	10%	---	10%	**10%**	9%	---	1%	1%

Table 19: Main departments and control

19. WHAT ARE THE MAIN DEPARTMENTS AND WHO CONTROLS THEM IN YOUR ENTERPRISE?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Personnel department														
Chinese	63	39	15	7	2	7	4	3	---	**70**	43	15	10	2
	89%	55%	21%	10%	3%	70%	40%	30%	---	**86%**	53%	19%	12%	2%
Japanese	7	4	1	---	2	2	1	---	1	**9**	5	1	---	3
	10%	6%	1%	---	3%	20%	10%	---	10%	**11%**	6%	1%	---	4%
Other	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Financial department														
Chinese	58	38	14	5	2	6	4	2	---	**64**	42	14	7	2
	82%	54%	20%	7%	3%	60%	40%	20%	---	**79%**	52%	17%	9%	2%
Japanese	18	11	4	2	1	3	1	1	1	**21**	12	4	3	2
	25%	15%	6%	3%	1%	30%	10%	10%	10%	**26%**	15%	5%	4%	2%
Other	---	---	---	---	---	---	---	---	---	---	---	---	---	---
General affairs														
Chinese	53	34	11	6	2	6	3	2	1	**59**	37	11	8	3
	75%	48%	15%	8%	3%	60%	30%	20%	10%	**73%**	46%	14%	10%	4%
Japanese	5	2	1	1	1	2	1	1	---	**7**	3	1	2	1
	7%	3%	1%	1%	1%	20%	10%	10%	---	**9%**	4%	1%	2%	1%
Other	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Technology & equipment department														
Chinese	25	17	5	2	1	3	2	1	---	**28**	19	5	3	1
	35%	24%	7%	3%	1%	30%	20%	10%	---	**35%**	23%	6%	4%	1%
Japanese	36	18	11	6	1	8	4	3	1	**44**	22	11	9	2
	51%	25%	15%	8%	1%	80%	40%	30%	10%	**54%**	27%	14%	11%	2%
Other	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
Manufacturing department														
Chinese	40	31	6	2	1	4	3	1	---	**44**	34	6	3	1
	56%	44%	8%	3%	1%	40%	30%	10%	---	**54%**	42%	7%	4%	1%
Japanese	35	16	11	6	2	5	1	3	1	**40**	17	11	9	3
	49%	23%	15%	8%	3%	50%	10%	30%	10%	**49%**	21%	14%	11%	4%
Other	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
Marketing department														
Chinese	44	33	6	3	2	6	4	2	---	**50**	37	6	5	2
	62%	46%	8%	4%	3%	60%	40%	20%	---	**62%**	46%	7%	6%	3%
Japanese	32	15	10	5	2	3	1	1	1	**35**	16	10	6	3
	45%	21%	14%	7%	3%	30%	10%	10%	10%	**43%**	20%	12%	7%	4%
Other	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Secretariat														

Chinese	45	27	12	4	2	4	1	2	1	**49**	28	12	6	3
	63%	38%	17%	6%	3%	40%	10%	20%	10%	**60%**	35%	15%	7%	4%
Japanese	4	3	1	---	---	1	---	1	---	**5**	3	1	1	---
	6%	4%	1%	---	---	10%	---	10%	---	**6%**	4%	1%	1%	---
Other	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
Other														
Chinese	9	8	---	1	---	---	---	---	---	**9**	8	---	1	---
	13%	11%	---	1%	---	---	---	---	---	**11%**	10%	---	1%	---
Japanese	3	2	---	1	---	---	---	---	---	**3**	2	---	1	---
	4%	3%	---	1%	---	---	---	---	---	**4%**	3%	---	1%	---
Other	---	---	---	---	---	---	---	---	---	**---**	---	---	---	---

Table 20: The nationality of Chairman of the Board and President

20. WHO ARE CHAIRMAN OF THE BOARD AND PRESIDENT?														
	C H I N E S E					**J A P A E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Chairman	47	30	12	3	2	6	5	1	---	**53**	35	12	4	2
Chinese	66%	42%	17%	4%	3%	60%	50%	10%	---	**65%**	43%	15%	5%	3%
Chairman	24	16	3	4	1	4	1	2	1	**28**	17	3	6	2
Japanese	34%	23%	4%	6%	1%	40%	10%	20%	10%	**35%**	21%	4%	7%	3%
President	36	28	6	1	1	---	---	---	---	**36**	28	6	1	1
Chinese	51%	39%	8%	1%	1%	---	---	---	---	**44%**	35%	7%	1%	1%
President	35	17	9	7	2	10	6	3	1	**45**	23	9	10	3
Japanese	49%	24%	13%	10%	3%	100 %	60%	30%	10%	**56%**	28%	11%	12%	4%

Table 21-A: Main policy determinant (A)

(Enterprise = E, Japanese parent company = JPC, Chinese parent company = CPC)

21. PLEASE INDICATE WHICH OF THE FOLLOWING MAIN POLICIES OF YOUR ENTERPRISE IS DETERMINED BY														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
A. Annual budget														
E:	48	32	11	4	1	7	4	3	---	**55**	36	11	7	1
	68%	45%	15%	6%	1%	70%	40%	30%	---	**68%**	44%	14%	9%	1%
JPC:	4	2	---	2	---	1	---	---	1	**5**	2	---	2	1
	6%	3%	---	3%	---	10%	---	---	10%	**6%**	2%	---	2%	1%
CPC:	1	---	1	---	---	---	---	---	---	**1**	---	1	---	---
	1%	---	1%	---	---	---	---	---	---	**1%**	---	1%	---	---

E & JPC:	4	2	1	---	1	1	1	---	---	**5**	3	1	---	1
	6%	3%	1%	---	1%	10%	10%	---	---	**6%**	4%	1%	---	1%
E & CPC	3	1	1	---	1	---	---	---	---	**3**	1	1	---	1
	4%	1%	1%	---	1%	---	---	---	---	**4%**	1%	1%	---	1%
JPC&CPC	3	3	---	---	---	1	1	---	---	**4**	4	---	---	---
	4%	4%	---	---	---	10%	10%	---	---	**5%**	5%	---	---	---
E&JP&CP	10	7	1	2	---	1	1	---	---	**11**	8	1	2	---
	14%	10%	1%	3%	---	10%	10%	---	---	**14%**	10%	1%	2%	---
Not known	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---

Table 21-B: Main policy determinant (B)

B. Output and profit targets (21. continue)														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	**T**	S	M	L	N
E:	42	28	8	5	1	4	2	2	---	**46**	30	8	7	1
	59%	39%	11%	7%	1%	40%	20%	20%	---	**57%**	37%	10%	9%	1%
JPC:	5	3	---	2	---	1	---	---	1	**6**	3	---	2	1
	7%	4%	---	3%	---	10%	---	---	10%	**7%**	4%	---	2%	1%
CPC:	2	1	1	---	---	---	---	---	---	**2**	1	1	---	---
	3%	1%	1%	---	---	---	---	---	---	**2%**	1%	1%	---	---
E & JPC:	7	2	4	---	1	2	1	1	---	**9**	3	4	1	1
	10%	3%	6%	---	1%	20%	10%	10%	---	**11%**	4%	5%	1%	1%
E &CPC:	3	2	---	---	1	---	---	---	---	**3**	2	---	---	1
	4%	3%	---	---	1%	---	---	---	---	**4%**	2%	---	---	1%
JPC&CPC	3	3	---	---	---	1	1	---	---	**4**	4	---	---	---
	4%	4%	---	---	---	10%	10%	---	---	**5%**	5%	---	---	---
E&JP&CP	11	8	2	1	---	2	2	---	---	**13**	10	2	1	---
	15%	11%	3%	1%	---	20%	20%	---	---	**16%**	12%	2%	1%	---
Not known	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---

Table 21-C: Main policy determinant (C)

C. Production plans (21. continue)														
	CHINESE					JAPANESE				CHINESE & JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
E:	47	29	11	6	1	5	2	2	1	**52**	31	11	8	2
	66%	41%	15%	8%	1%	50%	20%	20%	10%	**64%**	38%	14%	10%	2%
JPC:	5	3	---	2	---	1	---	---	1	**6**	3	---	2	1
	7%	4%	---	3%	---	10%	---	---	10%	**7%**	4%	---	2%	1%
CPC:	1	---	---	---	1	---	---	---	---	**1**	---	---	---	1
	1%	---	---	---	1%	---	---	---	---	**1%**	---	---	---	1%
E & JPC:	12	7	4	---	1	2	2	---	---	**14**	9	4	---	1
	17%	10%	6%	---	1%	20%	20%	---	---	**17%**	11%	5%	---	1%
E &CPC:	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
JPC&CPC	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
E&JP&CP	4	4	---	---	---	2	2	---	---	**6**	6	---	---	---
	6%	6%	---	---	---	20%	20%	---	---	**7%**	7%	---	---	---
Not known	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---

Table 21-D: Main policy determinant (D)

D. Product pricing (21. continue)														
	CHINESE					JAPANESE				CHINESE & JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
E:	38	30	4	3	1	6	3	3	---	**44**	33	4	6	1
	54%	42%	6%	4%	1%	60%	30%	30%	---	**54%**	41%	5%	7%	1%
JPC:	9	5	2	2	---	1	---	---	1	**10**	5	2	2	1
	13%	7%	3%	3%	---	10%	---	---	10%	**12%**	6%	2%	2%	1%
CPC:	2	---	1	---	1	1	1	---	---	**3**	1	1	---	1
	3%	---	1%	---	1%	10%	10%	---	---	**4%**	1%	1%	---	1%
E & JPC:	17	7	8	1	1	---	---	---	---	**17**	7	8	1	1
	24%	10%	11%	1%	1%	---	---	---	---	**21%**	9%	10%	1%	1%
E &CPC:	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
JPC&CPC	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
E&JP&CP	3	2	1	---	---	2	2	---	---	**5**	4	1	---	---
	4%	3%	1%	---	---	20%	20%	---	---	**6%**	5%	1%	---	---
Not known	2	1	---	1	---	---	---	---	---	**2**	1	---	1	---
	3%	1%	---	1%	---	---	---	---	---	**2%**	1%	---	1%	---

Table 21-E: Main policy determinant (E)

E. Increase or reduction of staff (21. continue)														
	CHINESE					JAPANESE				CHINESE & JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
E:	52	30	15	6	1	6	3	3	---	**58**	33	15	9	1
	73%	42%	21%	8%	1%	60%	30%	30%	---	**72%**	41%	19%	11%	1%
JPC:	3	3	---	---	---	1	---	---	1	**4**	3	---	---	1
	4%	4%	---	---	---	10%	---	---	10%	**5%**	4%	---	---	1%
CPC:	3	2	---	---	1	1	1	---	---	**4**	3	---	---	1
	4%	3%	---	---	1%	10%	10%	---	---	**5%**	4%	---	---	1%
E & JPC:	4	2	---	1	1	---	---	---	---	**4**	2	---	1	1
	6%	3%	---	1%	1%	---	---	---	---	**5%**	2%	---	1%	1%
E &CPC:	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
JPC&CPC	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
E&JP&CP	7	7	---	---	---	2	2	---	---	**9**	9	---	---	---
	10%	10%	---	---	---	20%	20%	---	---	**11%**	11%	---	---	---
Not	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
known	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---

Table 22: Time when full production reached

22. HAS YOUR ENTERPRISE REACH FULL PRODUCTION STAGE?														
	CHINESE					JAPANESE				CHINESE & JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Yes, reached the full production stage in														
1 - 5.	48	31	10	6	1	4	2	1	1	**52**	33	10	7	2
years ago	68%	44%	14%	8%	1%	40%	20%	10%	10%	**64%**	41%	12%	9%	2%
6 - 10.	4	2	2	---	---	1	1	---	---	**5**	3	2	---	---
years ago	6%	3%	3%	---	---	10%	10%	---	---	**6%**	4%	2%	---	---
over 10 yr. ago	---	---	---	---	---	---	---	---	---	---	---	---	---	---
years ago	---	---	---	---	---	---	---	---	---	---	---	---	---	---
No. will reach this stage after														
1-3 years	15	10	2	1	2	4	2	2	---	**19**	12	2	3	2
	21%	14%	3%	1%	3%	40%	20%	20%	---	**23%**	15%	2%	4%	2%
4-6 years	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Not	4	3	1	---	---	1	1	---	---	**5**	4	1	---	---
known	6%	4%	1%	---	---	10%	10%	---	---	**6%**	5%	1%	---	---

Table 23: Revolving fund sources

23. WHAT IS THE SOURCE OF YOUR ENTERPRISE REVOLVING FUND?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
J. parent company	36	18	11	6	1	4	1	2	1	**40**	19	11	8	2
	51%	25%	15%	8%	1%	40%	10%	20%	10%	**49%**	23%	15%	10%	2%
Japanese bank loan	5	3	2	---	---	1	---	1	---	**6**	3	2	---	---
	7%	4%	3%	---	---	10%	---	10%	---	**7%**	4%	2%	---	---
C. parent company	14	10	3	1	---	---	---	---	---	**14**	10	3	1	---
	20%	14%	4%	1%	---	---	---	---	---	**17%**	12%	4%	1%	---
Chinese bank loan	36	24	9	2	1	3	2	1	---	**39**	26	9	3	1
	51%	34%	13%	3%	1%	30%	20%	10%	---	**48%**	32%	11%	4%	1%
Fr. bank loan in C.	8	6	2	---	---	2	---	2	---	**10**	6	2	---	---
	11%	8%	3%	---	---	20%	---	20%	---	**12%**	7%	2%	---	---
Other nation's bank loan	--		---	---		---	---	---	---	---	---	---	---	---
Other	16	14	1	1	---	2	2	---	---	**18**	16	1	1	---
	23%	20%	1%	1%	---	20%	20%	---	---	**22%**	20%	1%	1%	---
Not known	5	3	---	1	1	1	1	---	---	**6**	4	---	1	1
	7%	4%	---	1%	1%	10%	10%	---	---	**7%**	5%	---	1%	1%

Table 24: Imported technology from Japan

24. IF YOUR ENTERPRISE HAS IMPORTED TECHNOLOGY FROM JAPAN, PLEASE INDICATE THE TYPE:														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Operating	41	22	12	4	3	5	3	1	1	**46**	25	12	5	4
	58%	31%	17%	6%	4%	50%	30%	10%	10%	**57%**	31%	15%	6%	5%
Main-tenance	20	9	7	4	---	3	2	1	---	**23**	11	7	5	---
	28%	13%	10%	6%	---	30%	20%	10%	---	**28%**	14%	9%	6%	---
Produc-tion	55	32	14	6	3	8	4	3	1	**63**	36	14	9	4
	77%	45%	20%	8%	4%	80%	40%	30%	10%	**78%**	44%	17%	11%	5%
Design	21	14	4	3	---	7	5	2	---	**28**	19	4	5	---
	30%	20%	6%	4%	---	70%	50%	20%	---	**35%**	23%	5%	6%	---
R & D	9	7	1	1	---	4	3	---	1	**13**	10	1	1	1
	13%	10%	1%	1%	---	40%	30%	---	10%	**16%**	12%	1%	1%	1%
Other	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
Not known	6	4	1	1	---	---	---	---	---	**6**	4	1	1	---
	8%	6%	1%	1%	---	---	---	---	---	**7%**	5%	1%	1%	---

Table 25: Special Japanese management methods imported

25. DID YOUR ENTERPRISE IMPORT ANY SPECIAL JAPANESE MANAGEMENT METHODS?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Yes	59	36	14	8	1	10	5	3	1	**68**	41	13	11	2
	83%	51%	20%	11%	1%	100 %	50%	30%	10%	**84%**	51%	16%	14%	2%
JP. salary system	14	10	2	2	---	2	1	1	---	**16**	11	2	3	---
	20%	14%	3%	3%	---	20%	10%	10%	---	**20%**	14%	2%	4%	---
QCC.	33	17	8	7	1	7	4	2	1	**40**	21	8	9	2
	46%	24%	11%	10%	1%	70%	40%	20%	10%	**49%**	26%	10%	11%	2%
5S	49	30	12	7	---	8	4	3	1	**57**	34	12	10	1
	69%	42%	17%	10%	---	80%	40%	30%	10%	**70%**	42%	15%	12%	1%
Internal welfare	23	9	9	5	---	6	3	2	1	**29**	12	9	7	1
	32%	13%	13%	7%	---	60%	30%	20%	10%	**36%**	15%	11%	9%	1%
Length of service	19	12	4	2	1	5	3	2	---	**24**	15	4	4	1
	27%	17%	6%	3%	1%	50%	30%	20%	---	**30%**	19%	5%	5%	1%
Other	7	6	1	---	---	1	---	1	---	**8**	6	1	1	---
	10%	8%	1%	---	---	10%	---	10%	---	**10%**	7%	1%	1%	---
No	8	6	1	---	1	---	---	---	---	**9**	7	1	---	1
	11%	8%	1%	---	1%	---	---	---	---	**11%**	9%	1%	---	1%
Not known	4	2	1	---	1	---	---	---	---	**4**	2	1	---	1
	6%	3%	1%	---	1%	---	---	---	---	**5%**	2%	1%	---	1%

Table 26: Training methods for employees

26. WHAT TRAINING METHOD DOES YOUR ENTERPRISE USE FOR EMPLOYEES:														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
On-the-job training	56	34	13	6	3	10	6	3	1	**66**	40	13	9	4
	79%	48%	18%	8%	4%	100 %	60%	30%	10%	**81%**	49%	16%	11%	5%
Outside training	7	7	---	---	---	4	2	2	---	**11**	9	---	2	---
	10%	10%	---	---	---	40%	20%	20%	---	**14%**	11%	---	2%	---
OTJ & out training	7	5	1	1	---	2	1	1	---	**9**	6	1	2	---
	10%	7%	1%	1%	---	20%	10%	10%	---	**11%**	7%	1%	2%	---
Training in Japan	54	34	11	7	2	9	5	3	1	**63**	39	11	10	3
	76%	48%	15%	10%	3%	90%	50%	30%	10%	**78%**	48%	14%	12%	4%
Other	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---

Table 27: Employee training in Japan

27. HAS YOUR ENTERPRISE SENT EMPLOYEES TO JAPAN FOR TRAINING?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Yes,	54	34	11	7	2	9	5	3	1	**63**	39	11	10	3
	76%	48%	15%	10%	3%	90%	50%	30%	10%	**78%**	48%	14%	12%	4%
1 - 30.	40	28	10	1	1	7	5	1	1	**47**	33	10	2	2
employees	56%	39%	14%	1%	1%	70%	50%	10%	10%	**58%**	41%	12%	2%	2%
31 - 60.	8	5	1	2	---	1	---	1	---	**9**	5	1	3	---
employees	11%	7%	1%	3%	---	10%	---	10%	---	**11%**	6%	1%	4%	---
Over 60	5	---	---	4	1	1	---	1	---	**6**	---	---	5	1
employees	7%	---	---	6%	1%	10%	---	10%	---	**7%**	---	---	6%	1%
Under	13	11	1	---	1	1	1	---	---	**14**	12	1	---	1
a month	18%	15%	1%	---	1%	10%	10%	---	---	**17%**	15%	1%	---	1%
1 - 3.	22	8	8	6	---	3	2	1	---	**25**	10	8	7	---
months	31%	11%	11%	8%	---	30%	20%	10%	---	**31%**	12%	10%	9%	---
4 - 6.	7	4	2	1	---	4	2	1	1	**11**	6	2	2	1
months	10%	6%	3%	1%	---	40%	20%	10%	10%	**o.14**	7%	2%	2%	1%
Over	15	13	---	1	1	1	---	1	---	**16**	13	---	2	1
half year	21%	18%	---	1%	1%	10%	---	10%	---	**20%**	16%	---	2%	1%
No	17	12	4	---	1	1	1	---	---	**18**	13	4	---	1
	24%	17%	6%	---	1%	10%	10%	---	---	**22%**	16%	5%	---	1%

Table 28: Advertising in China

28. HAS YOUR ENTERPRISE ADVERTISED PRODUCTS OR SERVICES IN CHINA?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Yes	46	29	11	5	1	6	4	2	---	**52**	33	11	7	1
	65%	41%	15%	7%	1%	60%	40%	20%	---	**64%**	41%	14%	9%	1%
Magazine	22	16	2	4	---	2	1	1	---	**24**	17	2	5	---
	31%	23%	3%	6%	---	20%	10%	10%	---	**30%**	21%	2%	6%	---
News-	33	21	8	4	---	3	2	1	---	**36**	23	8	5	---
paper	46%	30%	11%	6%	---	30%	20%	10%	---	**44%**	28%	10%	6%	---
Radio	11	6	3	2	---	3	2	1	---	**14**	8	3	3	---
	15%	8%	4%	3%	---	30%	20%	10%	---	**17%**	10%	4%	4%	---
Televi-	18	7	8	3	---	3	2	1	---	**21**	9	8	4	---
sion	25%	10%	11%	4%	---	30%	20%	10%	---	**26%**	11%	10%	5%	---
Billboard	8	5	2	1	---	2	1	1	---	**10**	6	2	2	---
	11%	7%	3%	1%	---	20%	10%	10%	---	**12%**	7%	2%	2%	---
Direct	14	14	---	---	---	---	---	---	---	**14**	14	---	---	---
mail	20%	20%	---	---	---	---	---	---	---	**17%**	17%	---	---	---
Spon-	14	7	3	4	---	1	1	---	---	**15**	8	3	4	---

soring	20%	10%	4%	6%	---	10%	10%	---	---	**19%**	10%	4%	5%	---
Other	17	8	6	2	1	3	2	1	---	**20**	10	6	3	1
	24%	11%	8%	3%	1%	30%	20%	10%	---	**25%**	12%	7%	4%	1%
No response--	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Inquiries	4	2	---	1	1	1	---	1	---	**5**	2	---	2	1
no sales	6%	3%	---	1%	1%	10%	---	10%	---	**6%**	2%	---	2%	1%
Sales	32	21	7	1	---	3	1	2	---	**35**	22	7	3	---
generate	45%	30%	10%	1%	---	30%	10%	20%	---	**43%**	27%	9%	4%	---
Increase	9	4	2	3	---	2	1	1	---	**11**	5	2	4	---
in sales	13%	6%	3%	4%	---	20%	10%	10%	---	**14%**	6%	2%	5%	---
No,	25	16	5	2	2	4	2	1	1	**29**	18	5	3	3
	35%	23%	7%	3%	3%	40%	20%	10%	10%	**36%**	22%	6%	4%	4%

Table 29: Enterprise's marketing region

29. WHAT IS YOUR ENTERPRISE'S MARKETING REGION?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
In Chinese domestic market:										total: **77%**				
1-25%	15	6	9	---	---	3	2	1	---	**18**	8	9	1	---
	21%	8%	13%	---	---	30%	20%	10%	---	**22%**	10%	11%	1%	---
26-50%	10	9	1	---	---	1	1	---	---	**11**	10	1	---	---
	14%	13%	1%	---	---	10%	10%	---	---	**14%**	12%	1%	---	---
51-75%	8	5	1	2	---	---	---	---	---	**8**	5	1	2	---
	11%	7%	1%	3%	---	---	---	---	---	**10%**	6%	1%	2%	---
76-100%	22	17	1	2	2	3	2	1	---	**25**	19	1	3	2
	31%	24%	1%	3%	3%	30%	20%	10%	---	**31%**	23%	1%	4%	2%
In Japanese domestic market:										total: **66%**				
1-25%	8	5	1	2	---	1	---	1	---	**9**	5	1	3	---
	11%	7%	1%	3%	---	10%	---	10%	---	**11%**	6%	1%	4%	---
26-50%	9	8	1	---	---	2	1	1	---	**11**	9	1	1	---
	13%	11%	1%	---	---	20%	10%	10%	---	**14%**	11%	1%	1%	---
51-75%	8	2	5	1	---	1	1	---	---	**9**	3	5	1	---
	11%	3%	7%	1%	---	10%	10%	---	---	**11%**	4%	6%	1%	---
76-100%	20	11	7	1	1	4	2	1	1	**24**	13	7	2	2
	28%	15%	10%	1%	1%	40%	20%	10%	10%	**30%**	16%	9%	2%	2%
In markets other than China & Japan:										total: **49%**				
1-25%	21	13	5	3	---	2	1	1	---	**23**	14	5	4	---
	30%	18%	7%	4%	---	20%	10%	10%	---	**28%**	17%	6%	5%	---
26-50%	12	7	4	1	---	2	1	1	---	**14**	8	4	3	---
	17%	10%	6%	1%	---	20%	10%	10%	---	**17%**	10%	5%	4%	---
Over50%	3	2	---	1	---	---	---	---	---	**3**	2	---	1	---
	4%	3%	---	1%	---	---	---	---	---	**4%**	2%	---	1%	---

Table 30: Sales in Chinese domestic market

30. IN THE CHINESE DOMESTIC MARKET ARE YOUR PRODUCTS SOLD BY:														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
J.parent	4	2	---	2	---	---	---	---	---	**4**	2	---	2	---
company	6%	3%	---	3%	---	---	---	---	---	**5%**	2%	---	2%	---
C.parent	4	2	1	---	1	---	---	---	---	**4**	2	---	1	1
company	6%	3%	1%	---	1%	---	---	---	---	**5%**	2%	---	1%	1%
Your en-	57	38	13	4	2	9	6	3	---	**66**	44	13	7	2
terprise	80%	54%	18%	6%	3%	90%	60%	30%	---	**81%**	54%	16%	9%	2%
Other C.	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
company	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
Other	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Table 31: Sales in markets other than China

31. IN MARKETS OTHER THAN CHINA ARE YOUR PRODUCTS SOLD BY:														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
J. parent	46	28	12	4	2	8	4	3	1	**54**	32	12	7	3
company	65%	39%	17%	6%	3%	80%	40%	30%	10%	**67%**	40%	15%	9%	4%
C.parent	3	2	1	---	---	---	---	---	---	**3**	2	1	---	---
company	4%	3%	1%	---	---	---	---	---	---	**4%**	2%	1%	---	---
Your en-	21	19	1	1	---	5	3	2	---	**26**	22	1	3	---
terprise	30%	27%	1%	1%	---	50%	30%	20%	---	**32%**	27%	1%	4%	---
Other C.	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
company	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
Other J.	3	2	1	---	---	2	1	1	---	**5**	3	1	1	---
company	4%	3%	1%	---	---	20%	10%	10%	---	**6%**	4%	1%	1%	---
Other	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Table 32-A: Low price and high quality

(1 = No advantage, 2 = Some advantage, 3 = Crucial advantage)

32. WHAT FACTORS ARE CRUCIAL TO COMPETITIVE ADVANTAGE IN THE CHINESE MARKET, AS COMPARED WITH OTHER ASIAN MARKETS?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Low base price:														
China: 1	8	6	1	1	---	---	---	---	---	**8**	6	1	1	---
	11%	8%	1%	1%	---	---	---	---	---	**10%**	7%	1%	1%	---
2+3	24	17	2	3	2	5	3	2	---	**29**	20	2	5	2
	34%	23%	3%	4%	3%	50%	30%	20%	---	**36%**	25%	3%	6%	3%
Asia: 1	2	2	---	---	---	1	---	1	---	**3**	2	---	1	---
	3%	3%	---	---	---	10%	---	10%	---	**4%**	2%	---	1%	---
2+3	23	15	3	4	1	5	3	1	1	**28**	18	3	5	2
	32%	21%	4%	6%	1%	50%	30%	10%	10%	**35%**	22%	4%	6%	2%
High quality:														
China: 1	---	---	---	---	---	---	---		---	---	---			---
2+3	58	38	11	7	2	7	5	2	---	**65**	43	11	9	2
	82%	53%	15%	10%	2%	70%	50%	20%	---	**80%**	53%	14%	11%	2%
Asia: 1	---	---	---	---	---	--	---	---	---	---	---	---	---	---
2 +3	37	22	9	5	1	6	4	2	---	**43**	26	9	7	1
	52%	31%	12%	7%	1%	60%	40%	20%	---	**53%**	32%	11%	9%	1%

Table 32-B: Service back up and warranty

32continue	**C H I N E S E**					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Service back-up:														
China: 1	1	1	---	---	---	1	---	1	---	**2**	1	---	1	---
	1%	1%	---	---	---	10%	---	10%	---	**2%**	1%	---	1%	---
2+3	34	24	6	4	---	5	4	1	---	**39**	28	6	5	---
	48%	34%	8%	6%	---	50%	40%	10%	---	**15%**	35%	7%	6%	---
Asia: 1	---	---	---	---	---	---	---	---	---	---	---	---	---	---
2+3	12	9	1	2	---	5	3	2	---	**17**	12	1	4	---
	17%	13%	1%	3%	---	50%	30%	20%	---	**21%**	15%	1%	5%	---
Warranty:														
China: 1	6	3	1	2	---	1	---	1	---	7	3	1	3	---
	8%	4%	1%	3%	---	10%	---	10%	---	**9%**	4%	1%	4%	---
2+3	9	7	2	---	---	3	3	---	---	**12**	10	2	---	---
	13%	10%	3%	---	---	30%	30%	---	---	**15%**	12%	2%	---	---
Asia: 1	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
2+3	5	4	---	1	---	4	3	1	---	**9**	7	---	2	---
	7%	6%	---	1%	---	40%	30%	10%	---	**11%**	9%	---	2%	---

Table 32-C: Mass advertising and technology sharing

32continue	C H I N E S E					J A P A N E S E				CHINESE& JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Mass advertising:														
China: 1	6	4	1	1	---	---	---	---	---	**6**	4	1	1	---
	8%	6%	1%	1%	---	---	---	---	---	**7%**	5%	1%	1%	---
2+3	7	4	1	2	---	3	2	1	---	**10**	6	1	3	---
	10%	6%	1%	3%	---	30%	20%	10%	---	**12%**	7%	1%	4%	---
Asia: 1	3	3	---	---	---	---	---	---	---	**3**	3	---	---	---
	4%	4%	---	---	---	---	---	---	---	**4%**	4%	---	---	---
2+3	2	1	---	1	---	3	2	1	---	**5**	3	---	2	---
	3%	1%	---	1%	---	30%	20%	10%	---	**6%**	4%	---	2%	---
Technology sharing:														
China: 1	1	---	---	1	---	---	---	---	---	**1**	---	---	1	---
	1%	---	---	1%	---	---	---	---	---	**1%**	---	---	1%	---
2+3	10	6	2	2	---	3	2	1	---	**13**	8	2	3	---
	14%	8%	3%	3%	---	30%	20%	10%	---	**16%**	10%	3%	4%	---
Asia: 1	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
2+3	2	2	---	---	---	3	2	1	---	**5**	4	---	1	---
	3%	3%	---	---	---	30%	20%	10%	---	**6%**	5%	---	1%	---

Table 32-D: Low installation costs and attractive payment terms

32continue	C H I N E S E					J A P A N E S E				CHINESE &JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Low installation costs:														
China: 1	2	1	---	1	---	---	---	---	---	**2**	1	---	1	---
	3%	1%	---	1%	---	---	---	---	---	**2%**	1%	---	1%	---
2+3	13	9	2	2	---	3	2	1	---	**16**	11	2	3	---
	18%	13%	3%	3%	---	30%	20%	10%	---	**20%**	14%	2%	4%	---
Asia: 1	---	---	---	---	---	1	1	---	---	**1**	1	---	---	---
	---	---	---	---	---	10%	10%	---	---	**1%**	1%	---	---	---
2+3	3	2	---	1	---	3	2	1	---	**6**	4	---	2	---
	4%	3%	---	1%	---	30%	20%	10%	---	**7%**	5%	---	2%	---
Attractive payment terms:														
China: 1	1	---	---	1	---	1	1	---	---	**2**	1	---	1	---
	1%	---	---	1%	---	10%	10%	---	---	**2%**	1%	---	1%	---
2+3	10	8	1	1	---	3	1	2	---	**13**	9	1	3	---
	14%	11%	1%	1%	---	30%	10%	20%	---	**16%**	11%	1%	4%	---
Asia: 1	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---
2+3	2	2	---	---	---	3	2	1	---	**5**	4	---	1	---
	3%	3%	---	---	---	30%	20%	10%	---	**6%**	5%	---	1%	---

Table 32-E: Top product design, quantity discount and maintenance-free use

32.continue	C H I N E S E					J A P A N E S E				CHINESE &JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Top product design:														
China: 1	1	---	1	---	---	---	---	---	---	**1**	---	1	---	---
	1%	---	1%	---	---	---	---	---	---	**1%**	---	1%	---	---
2+3	27	15	7	5	---	6	4	2	---	**33**	19	7	7	---
	38%	21%	10%	7%	---	60%	40%	20%	---	**41%**	23%	9%	9%	---
Asia: 1	---	---	---	---	---	---	---	---	---	---	---	---	---	---
2+3	14	5	6	3	---	4	2	2	---	**18**	7	6	5	---
	20%	7%	8%	4%	---	40%	20%	20%	---	**22%**	9%	7%	6%	---
Quantity discount:														
China: 1	2	---	---	2	---	---	---	---	---	**2**	---	---	2	---
	3%	---	---	3%	---	---	---	---	---	**2%**	---	---	2%	---
2+3	6	5	1	---	---	3	2	1	---	**9**	7	1	1	---
	8%	7%	1%	---	---	30%	20%	10%	---	**11%**	9%	1%	1%	---
Asia: 1	1	1	---	---	---	1	1	---	---	**2**	2	---	---	---
	1%	1%	---	---	---	10%	10%	---	---	**2%**	2%	---	---	---
2+3	1	1	---	---	---	3	2	1	---	**4**	3	---	1	---
	1%	1%	---	---	---	30%	20%	10%	---	**5%**	4%	---	1%	---
Maintenance-free use:														
China: 1	2	---	1	1	---	---	---	---	---	**2**	---	1	1	---
	3%	---	1%	1%	---	---	---	---	---	**2%**	---	1%	1%	---
2+3	11	9	---	2	---	4	3	1	---	**15**	12	---	3	---
	15%	13%	---	2%	---	40%	30%	10%	---	**19%**	15%	---	4%	---
Asia: 1	---	---	---	---	---	---	---	---	---	---	---	---	---	---
2+3	4	3	---	1	---	3	2	1	---	7	5	---	2	---
	6%	4%	---	1%	---	30%	20%	10%	---	**9%**	6%	---	2%	---

Table 33: Annual turnover of enterprise

1. WHEN COMPARING THE PERIOD OF JANUARY TO JUNE BETWEEN THIS AND LAST YEAR, WHAT HAPPENED TO THE TURNOVER OF YOUR ENTERPRISE?														
	C H I N E S E					J A P A N E S E				CHINESE &JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Higher than last year:														
1 - 5%	2	1	1	---	---	---	---	---	---	**2**	1	1	---	---
	3%	1%	1%	---	---	---	---	---	---	**2%**	1%	1%	---	---
6 - 10%	6	3	2	1	---	---	---	---	---	**6**	3	2	1	---
	8%	4%	3%	1%	---	---	---	---	---	7%	4%	2%	1%	---
11 - 50%	21	14	5	2	---	4	2	1	1	**25**	16	5	3	1
	30%	20%	7%	3%	---	40%	20%	10%	10%	**31%**	20%	6%	4%	1%

Over 50%	16	10	3	3	---	4	2	2	---	**20**	12	3	5	---
	23%	14%	4%	4%	---	40%	20%	20%	---	**25%**	15%	4%	6%	---
Similar	4	3	1	---	---	---	---	---	---	**4**	3	1	---	---
last year:	6%	4%	1%	---	---	---	---	---	---	**5%**	4%	1%	---	---
Lower than last year:														
1 - 5%	---	---	---	---	---	---	---	---	---	---	---	---	---	---
6 - 10%	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Over10%	4	2	1	---	1	---	---	---	---	**4**	2	1	---	1
	6%	3%	1%	---	1%	---	---	---	---	**5%**	2%	1%	---	1%
Not	17	12	3	1	1	2	2	---	---	**19**	14	3	1	1
known	24%	17%	4%	1%	1%	20%	20%	---	---	**23%**	17%	4%	1%	1%

Table 34: Profit of enterprise

34. NOW, IS YOUR ENTERPRISE IN PROFIT?														
	C H I N E S E					**J A P A N E S E**				**CHINESE &JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Yes:	45	27	10	6	2	6	3	3	---	**51**	30	10	9	2
	63%	38%	14%	8%	2%	60%	30%	30%	---	**63%**	37%	12%	11%	2%
Under 3%	10	3	4	2	1	2	1	1	---	**12**	4	4	3	1
	14%	4%	6%	3%	1%	20%	10%	10%	---	**15%**	5%	5%	4%	1%
3 - 8%	16	10	3	2	1	2	---	2	---	**18**	10	3	4	1
	23%	14%	4%	3%	1%	20%	---	20%	---	**22%**	12%	4%	5%	1%
8 - 15%	9	5	2	2	---	2	2	---	---	**11**	7	2	2	---
	0.13	0.07	0.03	0.03	---	0.2	0.2	---	---	**0.14**	0.09	0.03	0.03	---
Over 15%	10	9	1	---	---	---	---	---	---	**10**	9	1	---	---
	14%	13%	1%	---	---	---	---	---	---	**12%**	11%	1%	---	---
No:	13	9	3	---	1	2	2	---	---	**15**	11	3	---	1
	18%	13%	4%	---	1%	20%	20%	---	---	**19%**	14%	4%	---	1%
Little	13	9	3	---	1	2	2	---	---	**15**	11	3	---	1
Deficit	18%	13%	4%	---	1%	20%	20%	---	---	**19%**	14%	4%	---	1%
Big deficit	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Balance	12	9	2	1	---	2	1	---	1	**14**	10	2	1	1
Receipts	17%	13%	3%	1%	---	20%	10%	---	10%	**17%**	12%	2%	1%	1%
Not	1	1	---	---	---	---	---	---	---	**1**	1	---	---	---
known	1%	1%	---	---	---	---	---	---	---	**1%**	1%	---	---	---

Table 35: How products compare

35. HOW DO YOUR PRODUCTS COMPARE WITH JAPANESE PARENT COMPANY'S?														
	CHINESE					JAPANESE				CHINESE &JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Similar finished	10	6	4	---	---	1	---	1	---	**11**	6	4	1	---
	14%	8%	6%	---	---	10%	---	10%	---	**14%**	7%	5%	1%	---
Similar p.-finished	9	7	1	---	1	1	---	1	---	**10**	7	1	1	1
	13%	10%	1%	---	1%	10%	---	10%	---	**12%**	9%	1%	1%	1%
Similar parent high	19	12	3	2	2	2	2	---	---	**21**	14	3	2	2
	27%	17%	4%	3%	3%	20%	20%	---	---	**26%**	17%	4%	2%	2%
Similar parent low	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
Similar	29	17	7	5	---	7	3	3	1	**36**	20	7	8	1
	41%	24%	10%	7%	---	70%	30%	30%	10%	**44%**	25%	9%	10%	1%
Different	13	10	2	1	---	2	2	---	---	**15**	12	2	1	---
	18%	14%	3%	1%	---	20%	20%	---	---	**19%**	15%	2%	1%	---
Not known	3	2	---	---	1	---	---	---	---	**3**	2	---	---	1
	4%	3%	---	---	1%	---	---	---	---	**4%**	2%	---	---	1%

Table 36: Problems encountered as the enterprise developed

36. WHAT PROBLEMS HAVE YOU EXPERIENCED AS YOUR ENTERPRISE DEVELOPED?														
	CHINESE					JAPANESE				CHINESE & JAPANESE				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Cash flow	42	22	14	4	2	4	3	1	---	**46**	25	14	5	2
	59%	31%	20%	6%	3%	40%	30%	10%	---	**57%**	31%	17%	6%	2%
Laws & rules	23	9	7	6	1	6	3	3	---	**29**	12	7	9	1
	32%	13%	10%	8%	1%	60%	30%	30%	---	**36%**	15%	9%	11%	1%
Domestic markets	19	13	2	3	1	4	2	2	---	**23**	15	2	5	1
	27%	18%	3%	4%	1%	40%	20%	20%	---	**28%**	19%	2%	6%	1%
Staff training	16	10	5	1	---	2	---	2	---	**18**	10	5	3	---
	23%	14%	7%	1%	---	20%	---	20%	---	**22%**	12%	6%	4%	---
Excessive expenses	16	3	7	6	---	1	---	---	1	**17**	3	7	6	1
	23%	4%	10%	8%	---	10%	---	---	10%	**21%**	4%	9%	7%	1%
Ineffi-ciency	13	3	7	2	1	2	1	1	---	**15**	4	7	3	1
	18%	4%	10%	3%	1%	20%	10%	10%	---	**19%**	5%	9%	4%	1%
High cost	10	7	2	1	---	2	1	1	---	**12**	8	2	2	---
	14%	10%	3%	1%	---	20%	10%	10%	---	**15%**	10%	2%	2%	---
Infras-tructure	8	1	5	2	---	4	1	2	1	**12**	2	5	4	1
	11%	1%	7%	3%	---	40%	10%	20%	10%	**15%**	3%	6%	5%	1%

Other	12	11	1	---	---	---	---	---	---	**12**	11	1	---	---
	17%	15%	1%	---	---	---	---	---	---	**15%**	14%	1%	---	---
Workers'	5	2	2	---	1	---	---	---	---	**5**	2	2	---	1
efficien	7%	3%	3%	---	1%	---	---	---	---	**6%**	2%	2%	---	1%
cy														
Lack	4	2	1	1	---	1	---	1	---	**5**	2	1	2	---
knowled	6%	3%	1%	1%	---	10%	---	10%	---	**6%**	2%	1%	2%	---
ge														
Visas &	1	1	---	---	---	2	1	1	---	**3**	2	---	1	---
permits	1%	1%	---	---	---	20%	10%	10%	---	**4%**	2%	---	1%	---
Extra	2	1	1	---	---	1	---	1	---	**3**	1	1	1	---
expense	3%	1%	1%	---	---	10%	---	10%	---	**4%**	1%	1%	1%	---
Political situation---			---	---	---	---	---	---	---	---	---	---	---	---

Table 37: Restriction to Japanese technology & equipment imports

37. DOES YOUR ENTERPRISE ENCOUNTER ANY IMPEDANCE TO IMPORTATION OF JAPANESE TECHNOLOGY & EQUIPMENT?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
No,	45	31	8	3	3	6	4	2	---	**51**	35	8	5	3
	63%	44%	11%	4%	4%	60%	40%	20%	---	**63%**	43%	10%	6%	4%
Yes,	24	12	7	5	---	3	---	2	1	**27**	12	7	7	1
	34%	17%	10%	7%	---	30%	---	20%	10%	**33%**	15%	9%	9%	1%
Japaese	3	3	---	---	---	---	---	---	---	**3**	3	---	---	---
state	4%	4%	---	---	---	---	---	---	---	**4%**	4%	---	---	---
Japanese	2	---	1	1	---	---	---	---	---	**2**	---	1	1	---
parent	3%	---	1%	1%	---	---	---	---	---	**2%**	---	1%	1%	---
Poor co-operation--			---	---	---	---	---	---	---	---	---	---	---	---
Chinese	2	2	---	---	---	1	---	1	---	**3**	2	---	1	---
policy	3%	3%	---	---	---	10%	---	10%	---	**4%**	2%	---	1%	---
Low	6	3	1	2	---	1	---	1	---	**7**	3	1	3	---
level	8%	4%	1%	3%	---	10%	---	10%	---	**9%**	4%	1%	4%	---
Chinese	4	3	1	---	---	---	---	---	---	**4**	3	1	---	---
Fail to	6%	4%	1%	---	---	---	---	---	---	**5%**	4%	1%	---	---
Langua	15	4	6	5	---	2	---	1	1	17	4	6	6	1
ge	21%	6%	8%	7%	---	20%	---	10%	10%	**21%**	5%	7%	7%	1%
Other	2	2	---	---	---	---	---	---	---	**2**	2	---	---	---
	3%	3%	---	---	---	---	---	---	---	**2%**	2%	---	---	---
Not	2	2	---	---	---	1	1	---	---	**3**	3	---	---	---
known	3%	3%	---	---	---	10%	10%	---	---	**4%**	4%	---	---	---

Table 38: Restriction to importation of Japanese management methods

38. WHAT DO YOU THINK ARE THE MAIN IMPEDANCES TO THE IMPORTATION OF JAPANESE MANAGEMENT METHODS?														
	C H I N E S E					**J A P N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
No,	26	20	3	3	---	3	3	---	---	**29**	23	3	3	---
	37%	28%	4%	4%	---	30%	30%	---	---	**36%**	28%	4%	4%	---
Yes,	42	22	12	5	3	6	1	4	1	**48**	23	12	9	4
	59%	31%	17%	7%	4%	60%	10%	40%	10%	**59%**	28%	15%	11%	5%
Economy business	34	17	10	4	3	2	---	2	---	**36**	17	10	6	3
	48%	24%	14%	6%	4%	20%	---	20%	---	**44%**	21%	12%	7%	4%
Culture tradition	25	13	8	3	1	4	1	3	---	**29**	14	8	6	1
	35%	18%	11%	4%	1%	40%	10%	30%	---	**36%**	17%	10%	7%	1%
Language	18	7	5	5	1	5	1	3	1	**23**	8	5	8	2
	25%	10%	7%	7%	1%	50%	10%	30%	10%	**28%**	10%	6%	10%	2%
Politic & social	17	13	3	---	1	2	---	1	1	**19**	13	3	1	2
	24%	18%	4%	---	1%	20%	---	10%	10%	**23%**	16%	4%	1%	2%
Low level	11	6	4	1	---	1	---	1	---	**12**	6	4	2	---
	15%	8%	6%	1%	---	10%	---	10%	---	**15%**	7%	5%	2%	---
Other	6	5	1	---	---	---	---	---	---	**6**	5	1	---	---
	8%	7%	1%	---	---	---	---	---	---	**7%**	6%	1%	---	---
Poor co-operation	2	1	---	---	1	---	---	---	---	**2**	1	---	---	1
	3%	1%	---	---	1%	---	---	---	---	**2%**	1%	---	---	1%
Not known	3	3	---	---	---	1	1	---	---	**4**	4	---	---	---
	4%	4%	---	---	---	10%	10%	---	---	**5%**	5%	---	---	---

Table 39: Increase in investment

39. IS YOUR ENTERPRISE GOING TO INCREASE INVESTMENT OR NOT?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
No,	41	27	9	3	2	4	2	1	1	**45**	29	9	4	3
	58%	38%	13%	4%	3%	40%	20%	10%	10%	**56%**	36%	11%	5%	4%
Yes,	30	18	6	5	1	6	3	3	---	**36**	21	6	8	1
	42%	25%	8%	7%	1%	60%	30%	30%	---	**44%**	26%	7%	10%	1%
Reduce	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Withdraw	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Table 40: Increase in output and type of products

40. IS YOUR ENTERPRISE GOING TO INCREASE OUTPUT & TYPE OF PRODUCTS OR NOT?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Yes,	66	40	15	8	3	10	5	4	1	**76**	45	15	12	4
	93%	56%	21%	11%	4%	100 %	50%	40%	10%	**94%**	56%	19%	15%	5%
No,	5	5	---	---	---	---	---	---	---	**5**	5	---	---	---
	7%	7%	---	---	---	---	---	---	---	**6%**	6%	---	---	---

Table 41: Continue to co-operate with current partner

41. WILL YOUR ENTERPRISE CONTINUE TO CO-OPERATE WITH ITS CURRENT PARTNER OR NOT?														
	C H I N E S E					**J A P A N E S E**				**CHINESE & JAPANESE**				
	T	S	M	L	N	T	S	L	N	T	S	M	L	N
Continue	64	41	14	6	3	10	5	4	1	**74**	46	14	10	4
	90%	58%	20%	8%	4%	100 %	50%	40%	10%	**91%**	57%	17%	12%	5%
Look partner		---	---	---	---	---	---	---	---	---	---	---	---	---
Not	7	4	1	2	---	---	---	---	---	7	4	1	2	---
known	10%	6%	1%	3%	---	---	---	---	---	**9%**	5%	1%	2%	---

在華日資企業
調查問卷

貴公司名稱:
貴公司地址：
您現在的職務：
您的國籍　：

您在企業工作的時間 _____年,
在本公司工作的時間_____年。

(以下，請在您同意的那一項前面的括號內畫上”√”，或按該問題的特殊要求填寫。)

第一部分：母公司概況

1. 中方母公司名稱:

2. 日方母公司名稱:

3. 中方母公司的企業性質爲:
   (　　) 國有企業　　(　　) 集體企業
   (　　) 鄉鎮企業　　(　　) 私營企業
   (　　) 其他:

4. 日方母公司的類型:
   (　　) 貿易公司　　(　　) 銀行
   (　　) 生產公司　　(　　) 其他:

5. 中方母公司員工總數爲 _____人

6. 日方母公司員工總數爲 _____人

7. 日方母公司在中國共投資了多少廠家?
   (　　) 僅此一家1　　(　　) 2-5家
   (　　) 6-10家　　(　　) 10家以上

8. 您認爲下列動機對日方投資中國的重要程度如何? (請選擇您同意的數字)
   (最重 要 =3 重要 =2　　不重要 =1)
   3 2 1 中國市場的吸引力
   3 2 1 原材料價格低廉
   3 2 1 工資低廉
   3 2 1 中國政府對外資的優惠政策
   3 2 1 其他公司紛紛進入中國市場
   3 2 1 實現國際擴展
   3 2 1 避免貿易摩擦
   3 2 1 其他:

9. 您認爲貴公司中方選擇日方合作者的主要標準是(可擇多項):
   ( ) 經濟實力雄厚
   ( ) 技術、工藝及設備先進
   ( ) 企業管理方法科學實用
   ( ) 擁有生產某種產品所必需的關鍵性材料
   ( ) 擁有國際市場營銷渠道及信息網絡
   ( ) 擁有在專利權、商標等\ 方面的較大優勢
   ( ) 在同行中有較高聲譽
   ( ) 其他:

10. 中日雙方以何種方式開始最初的聯係?
   ( ) 通過貿易展覽會及技術交流會
   ( ) 通過咨詢公司
   ( ) 通過日本駐華或中國駐日使館及其他貿易組織
   ( ) 直接與中方招商機構聯係
   ( ) 通過訪日中國商務代表團或訪華日本商務代表團
   ( ) 其他:

11. 日方母公司怎樣了解和分析中國市場?
   ( ) 在日本進行咨詢
   ( ) 在香港進行咨詢
   ( ) 在中國進行咨詢
   ( ) 通過日文商務報刊
   ( ) 通過中文商務報刊
   ( ) 通過在華代表機構
   ( ) 到中國\直接會見政府官員及最終用戶
   ( ) 其他:

第二部分: 公司設置

12. 貴公司屬于何種企業 (A和 B中各擇一項):

A	B
( ) 合資經營	( ) 勞動密集型
( ) 合作經營	( ) 資本密集型
( ) 獨資經營	( ) 技術密集型

13. 貴公司資本構成情況: (請填百分數)
   日方資本佔 %
   中方資本佔 %
   其它資本佔 %

14. 貴公司合資、合營或獨資經營的年限:
   ( ) 1-10年 ( ) 11-20年
   ( ) 21-30年 ( ) 30年以上

15. 中日雙方出資形態: (可擇多項)

中方	日方
( )	( ) 現金
( )	( ) 建築物
( )	( ) 機器設備
( )	( ) 生產原材料

( ) ( ) 勞務
( ) ( ) 工業產權
( ) ( ) 專有技術
( ) ( ) 場地使用權
( ) ( ) 其他:

16. 貴公司目前員工總數是 _____人
其中日方及外方員工總數是 _____人

17. 貴公司是否已投產?
( ) 是，投產時間爲_____年_____月
( ) 否

第三部分：公司運作

18. 貴公司的經營方式爲:
( ) 製造
( ) 代客加工
( ) 修配
( ) 其他，請說明:

19. 貴公司有哪些部處或科室，何方爲主要負責人?

A. 主要部門	B. 負責人是		
	中方	/日方	/其他方
( ) 人事	( )	( )	( )
( ) 財務	( )	( )	( )
( ) 總務	( )	( )	( )
( )技術及設備	( )	( )	( )
( ) 生產製造	( )	( )	( )
( ) 市場銷售	( )	( )	( )
( ) 行政	( )	( )	( )
( ) 其他 :	( )	( )	( )

20. 貴公司董事會主席及總經理構成 (A和 B中各擇一項): :

A	B
( ) 董事會主席是中方	( ) 總經理是中方
( ) 董事會主席是日方	( ) 總經理是日方

21. 貴公司下列主要\大政方針的決定權限在何方?
(本=本公司，日=日方母公司，中=中方母公司)

A. 全年預算的制訂

( ) 本	( ) 日
( ) 中	( ) 本和日
( ) 本和中	( ) 日和中
( ) 本和日和中	( ) 不知道

B. 產量及利潤目標的制訂

( ) 本	( ) 日
( ) 中	( ) 本和日

( ) 本和中 ( ) 日和中
( ) 本和日和中 ( ) 不知道

C. 生產計劃的制訂
( ) 本 ( ) 日
( ) 中 ( ) 本和日
( ) 本和中 ( ) 日和中
( ) 本和日和中 ( ) 不知道

D. 銷售價格的制訂
( ) 本 ( ) 日
( ) 中 ( ) 本和日
( ) 本和中 ( ) 日和中
( ) 本和日和中 ( ) 不知道

E. 員工人數的增減及管理人員的任免
( ) 本 ( ) 日
( ) 中 ( ) 本和日
( ) 本和中 ( ) 日和中
( ) 本和日和中 ( ) 不知道

22. 貴公司目前是否已達到全力生產階段 (即企業生產能力80%以上)?
( ) 是，首次達到此項生產階段時間爲 _____ 年____月
( ) 否，預計達到此項生產階段時間爲 _____ 年____月

23. 貴公司目前周轉資金的來源爲(可擇多項):
( ) 日方母公司 _____%
( ) 日方的銀行貸款 _____%
( ) 中方母公司_____%
( ) 中國國內官方銀行貸款 _____%
( ) 中國國內外資銀行貸款 _____%
( ) 第三國或地區銀行貸款 _____%
( ) 其他: _____%

24. 貴公司如從日本引進了技術，其技術包括(可擇多項):
( ) 操作技術 ( )保養技術
( ) 生產技術 ( ) 設計技術
( ) 研究開發技術 ( ) 其他:

25. 貴公司是否引進了日本企業管理經驗?
( ) 是 ( ) 否
如果是，請指明包括下述何種內容:
( ) 年功序列工資制度
( ) 質量管理小組 (QCC) 活動
( ) "五 S" (管理、整頓、清掃、清潔、教養) 活動
( ) 企業內部福利制
( ) 企業工齡制
( ) 其他:

26. 貴公司對現場操作人員的培訓方法是(可擇多項):
( ) 現場培訓

( ) 派送公司外進修單位培訓
( ) 現場培訓加外派進修單位培訓
( ) 派送日本培訓
( ) 其他:

27。貴公司是否派員赴日本進修培訓?
( ) 是 ( ) 否

如果是，請指明培訓進修人次是:
( )1-30人 ( )31-60人
( )60人以上

如果是，請指明培訓進修時間一般是:
( ) 一個月以內 ( ) 1-3個月
( ) 4-6個月 ( ) 半年以上

28. 貴公司是否在中國廣告宣傳自己的產品?
( ) 是 ( ) 否

如果是，請回答下列問題:
A. 請指明使用過何種傳播媒介及各佔多少比例:
( ) 雜誌_____%
( ) 報紙_____%
( ) 廣播電臺_____%
( ) 電視臺_____%
( ) 張貼及散發廣告_____%
( ) 直接寄信 _____%
( ) 贊助某項活動 _____%
( ) 其他 _____, _____%

B. 這些廣告活動的效果如何？
( ) 完全沒有反應
( ) 有人來問，無人來買
( ) 中等程度地引來了購買者
( ) 有效地促進了銷售

29. 貴公司產品的主要銷售地區爲：
( ) 中國國內_____%
( ) 日本國內_____%
( ) 中日以外的國家和地區 _____%

30. 貴公司產品內銷部分是由：
( ) 日方母公司負責
( ) 中方母公司負責
( ) 本公司自己負責
( ) 中國國內其他企業負責
( ) 其他：

31. 貴公司產品外銷部分是由：
( ) 日方母公司負責
( ) 中方母公司負責

(　　) 本公司自己負責
(　　) 中國國內其他企業負責
(　　) 日本國的貿易商負責
(　　) 其他：

32. 貴公司在中國市場的优勢是什么？如果在其他亞洲國家的市場上，貴公司的优勢又如何？(請選擇您同意的數字)
(沒有优勢　=1，　　有些优勢　=2，　　很有优勢　=3)

在中國		在其他亞洲國家
1 2 3	基本价格低廉	1 2 3
1 2 3	高質量	1 2 3
1 2 3	售后服務	1 2 3
1 2 3	擔保書	1 2 3
1 2 3	大眾廣告	1 2 3
1 2 3	技術分享	1 2 3
1 2 3	安裝成本低廉	1 2 3
1 2 3	支付方式靈活	1 2 3
1 2 3	產品設計精美	1 2 3
1 2 3	數量折扣	1 2 3
1 2 3	免費維修	1 2 3

33. 貴公司今年上半年的營業額(銷售額)与去年同期相比大約增長_____%(如營業額減少，請填負增長率)

34. 目前，貴公司是否有利潤(指稅后利潤)？
(　　) 是　　(　　) 否
(　　) 收支平衡

如果是，今年上半年淨利潤約占營業額的：
(　　)3%以下　　(　　)3%-8%
(　　)8%-15%　　(　　)15%以上

如果否，請指明：
(　　) 略有虧損　　(　　) 虧損極大

35. 貴公司產品是日方母公司產品的
(　　) 相同產品的成品(所謂下游產品)
(　　) 相同產品的半成品(所謂上游產品)
(　　) 完全相同的產品，但母公司產品檔次較高
(　　) 完全相同的產品，但母公司產品檔次較低
(　　) 完全相同的產品，与母公司產品檔次相等
(　　) 完全不同的產品

第四部分：環境影響

36. 貴公司在投資或生產上面臨的主要問題是(可擇多項)：
(　　) 資金周轉困難
(　　) 負擔額外轉帳開銷
(　　) 超額交際費
(　　) 物資存儲成本明顯增加

( ) 難于獲取中國簽證、工作許可證
( ) 培養當地的管理和技術人員不易
( ) 當地行政部門效率不高
( ) 國內市場無法大力開拓
( ) 法令規章不完備
( ) 不諳當地的人情世故
( ) 交通、水電基本設施不完善
( ) 政治局勢不穩定
( ) 工人生產效率不高
( ) 其他：

37. 貴公司引進日方技術及設備時是否有障礙？
( ) 否
( ) 是，主要障礙有(可擇多項)：
( ) 日本政府對轉讓高新技術的限制
( ) 日本母公司對轉讓高新技術的限制
( ) 日方工程技術人員与中方員工合作欠佳
( ) 中國政府政策的限制
( ) 中方員工文化水平較低
( ) 中方員工學習鑽研精神欠佳
( ) 雙方語言障礙
( ) 其他：

38. 貴公司引進日方管理經驗時是否有障礙？
( ) 否
( ) 是，主要障礙有(可擇多項)：
( ) 中日兩國社會政治制度的差异
( ) 中日兩國文化傳統的差异
( ) 中日兩國經濟形態和經營實踐的差异
( ) 雙方的語言障礙
( ) 中日雙方員工合作欠佳
( ) 中方員工文化水平較低
( ) 其他：

39. 貴公司是否有增加投資計划？
( ) 尚無增資計划
( ) 可能增資，較目前實際投資額增加_____%
( ) 可能減少投資
( ) 可能撤資

40. 貴公司是否計划增加產品產量及產品項目？
( ) 是
( ) 否

41. 貴公司中日雙方是否將繼續合作？
( ) 繼續合作
( ) 將更換合作者
( ) 不知道

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